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ACCOUNTING IN THE LUMBER INDUSTRY

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BY

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ACCOUNTING IN THE LUMBER INDUSTRY

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FIRST EDITION

H-D

TO

MY FATHER AND MOTHER

732680

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PREFACE

The lumber industry has long awaited the publication of a complete book on accounting problems and procedure, peculiar to that immense branch of American business.

With full consideration of this unfulfilled demand, and after years of study and experience in this work, I have written this book. I have carefully prepared the information to cover every practical angle of accounting pertaining to the industry's major products—lumber, logs, cedar logs, cedar posts, cedar poles, lath, shingles, wood, pulp wood, and bark. Chapters have been included to cover the Balance Sheet, Profit and Loss group, Supplementary Manufacturing Costs, Shutdown Overhead, Burden Cost Controls, Depreciation, The Simplified Invoice, and Accounting Records.

While it may be said by some that it is impossible to formulate a uniform accounting plan which would without considerable revision meet the requirements of all operators, yet I have worked without regard to such statements. Unfortunately, however, outside factors relative to localities, personnel of management, natural developments, and changes within the industry itself often do place a tremendous burden upon the proper application of uniform accounting methods. In order to overcome such obstacles, a well-devised uniform system of accounts must provide for enlargement, elaboration, curtailment or revision without destroying the basic outlined principles. The present attempt had in mind all these qualities which go to make up an ideal uniform plan. The impression should not be created that detailed uniform accounting demands a complicated bookkeeping system; quite the opposite is true, and the most successful known method is one which, through the cooperation of the industry at large, will provide the best and most necessary information without entailing a repetition of entries in a duplication of records, or a burdensome office organization.

I have been handicapped in the preparation of this work because so little reference material is available. A minimum amount of work had been done heretofore in compiling and writing such data, from the viewpoint of the accountant. During these years I have therefore been obliged to seek, directly, the help of firms, associations, corpora-

tion officials, public accountants, and others, and my requests have been cordially answered.

Among the many to whom I should like to express my thanks for their kindness and assistance, special acknowledgment is due to Ford Motor Company, Detroit, Michigan; Holt Lumber Company, Oconto, Wisconsin; Horders, Incorporated, Chicago, Illinois; Lima Locomotive Works, Lima, Ohio; Paine Lumber Company, Limited, Oshkosh, Wisconsin; J. E. Patterson Lumber Company, Mobile, Alabama; Peavy-Wilson Lumber Company, Shreveport, Louisiana; Saint Paul & Tacoma Lumber Company, Tacoma, Washington; Standard Oil Company, Chicago, Illinois; Wisconsin Land & Lumber Company, Hermansville, Michigan; North Carolina Pine Association, Norfolk, Virginia; Hardwood Manufacturers' Institute, Memphis, Tennessee; Southern Cypress Manufacturers' Association, New Orleans, Louisiana; Southern Pine Association, New Orleans, Louisiana; West Coast Lumbermen's Association, Seattle, Washington; Western Pine Manufacturers' Association, Portland, Oregon; C. A. Bauer, Chief Statistician, Southern Pine Association, New Orleans, Louisiana; W. P. Hilton, C.P.A., Norfolk, Virginia; C. I. Smith, C.P.A., Member, Smith-Ellingson-Schuldes Company, Green Bay, Wisconsin; National Association of Cost Accountants, New York City; Bureau of Commercial & Industrial Affairs, Boston Chamber of Commerce, Boston, Massachusetts; Manufacturing Industries, Camden, New Jersey.

It is a special pleasure to express indebtedness to W. B. Castenholz, A.M., C.P.A., Director of the Department of Higher Accounting, La Salle Extension University, Chicago, Illinois, for reviewing the original manuscript and for writing the Foreword.

That this book may be the means of bringing about better and more uniform accounting methods in the lumber and allied industries is my sincerest wish. But, how nearly I have come to a realization of this ideal must be left to the conscientious criticism of my readers.

H. W. ECKARDT

March 12, 1929.
Oconto, Wisconsin.

FOREWORD

BY W. B. CASTENHOLZ, A.M., C.P.A.

Director of the Department of Higher Accounting, La Salle Extension University, Chicago, Illinois, and Member of Castenholz & Dittmar, C. P. A.

It has given me a great deal of satisfaction to make a thorough examination of this book.

During the past decade numerous articles have appeared in trade journals and elsewhere in which lumber costs and accounting have been considered. All of this material, even though it possessed considerable merit, was more or less fragmentary.

This book is complete. It covers every angle of lumber accounting in a specific manner. Generalizations are avoided—the book is a working manual for the industry. The procedure advocated is sound from a business and accounting standpoint. Nothing is left to the imagination. Illustrations of actual accounting methods tell just how things are to be done. The system of accounting herein projected is adaptable, with whatever minor variations may be needed, to any establishment in the lumber industry.

For some time, a real need for a uniform accounting system has existed in the lumber industry. Many concerns have gone along blindly, groping here and there in efforts to find something to fit their accounting needs. When the industry does get together at conventions and conferences, each member speaks his own language. One may speak of costs and have an entirely different idea as to the elements included than some other member. What are costs? How should the various expense factors be treated and classified? How should the business acts be segregated in the accounting statements? Mr. Eckardt's book answers these questions intelligently and logically. His system should become basic for the industry and might well be adopted as the uniform system of the industry. Why not have all members speak a common language? Only through a uniform accounting system will it be possible for members in the industry to make intelligent comparisons of their operations; those will be true comparisons and they will lead to constructive business policies; they will eventually

assist in standardizing the industry and in eliminating "cut-throat," unintelligent competition.

Mr. Eckardt knows his industry. He explores every nook and corner of it. This is a detailed work; it is technical. At the same time it is interesting because the constructive viewpoint is present. It is a book which has an appeal to the executive as well as to the accountant. Thus Mr. Eckardt does not neglect the subject of Federal Income tax legislation as that is related to the lumber industry.

The book is comprehensive in scope. It deals fully with all the major products of the industry—lumber, logs, cedar logs, cedar posts, cedar poles, lath, shingles, wood, pulp wood and bark. It deals not only with timber projects costs and accounting but with the various milling operations as well.

The various accounting statements—Balance Sheet, Profit and Loss Statement and Cost Records—are in conformity with sound accounting principles and their components are completely defined and explained.

It would be well indeed for the industry to go to school by the route of this very commendable book.

ACCOUNTING IN THE LUMBER INDUSTRY

CHAPTER I

INTRODUCTION

The Lumber Industry. Lumbering in the United States is the third industry in importance, and with its wood-using subsidiaries employs more than 1,000,000 people. It maintains an annual pay roll of more than $1,200,000,000, and with an investment in raw materials, plants and equipment of over $10,000,000,000, produces annually 37,000,000,000 feet of lumber. In addition, approximately 3,100,000,000 lath, 6,010,000,000 shingles, 1,250,000 cords of tanning material, millions of feet of piling, mine timbers, staves, and hoops are produced in a year, not including millions of cords of fuel wood, pulp wood and chemical wood, and over a billion posts and poles.

The average annual consumption of wood in this country, including firewood and saw timber, is very nearly 24,100,000,000 cubic feet, or 228 cubic feet per capita. The total per capita consumption of lumber in the United States during 1925 was 326 board feet, consisting of 271 feet of softwood and 55 feet of hardwood. The exports of lumber and timber during the same year amounted to 2,502,328,000 board feet. The greatest annual export was in 1913, when more than 3,450,000,000 feet was sent abroad. During the year 1925, imports of lumber and sawed timber totaled 1,815,079,000 feet, besides millions of feet of lath, shingles, posts, poles, clapboards, firewood, and the like. During 1920 imports of pulp wood amounted to 809,194 long tons: 72 per cent brought in from Canada, 17 per cent from Sweden, 5 per cent from Finland, the remaining 6 per cent scattering.

The lumber industry in the United States began in New England in 1623. It is said that Massachusetts had its first saw mill in 1633. In 1880 the discovery of making paper from wood pulp added a new impetus to logging in that region, reaching its peak in 1907. The center of production had already passed to New York, thence to Pennsylvania, and by 1850 half of the nation's cut was outside of New England. The first saw mill in the Northwest was in Ohio, built perhaps about 1789. Logging soon turned to Wisconsin and the other Lake states, where the pine forests of that region reached their maxi-

mum production in 1900, when 25 per cent of the nation's cut was supplied from these lands.

By the close of 1900 the turn was to the Southern pine belt, where the forests of the South reached a production of 14,418,275,000 feet, or 37.6 per cent of the 1925 cut. From this section lumbering gradually worked westward, where the vast timber resources of the Pacific Coast are now being entered. In 1925 this region alone produced 13,286,699,000 feet, or 34.7 per cent of the cut for that year.

Uniform Accounting. Not so many years ago business was conducted on a small scale. A manufacturer made only one commodity or one small line of commodities, and the volume of production was low. A dealer bought a few goods, which he soon distributed by comparatively simple methods. The dealer paid rent, insurance, salaries, and the like; so did the manufacturer. They deducted these expenses, together with the cost of raw materials, or goods sold, from their total sales, and the balance was their net profit or net loss. They maintained no accurate system of accounts, with the exception perhaps of customers, and these were mere single entry records.

With the growing complexity of business, and the advent of the profession of accountancy, more detailed and complicated systems of bookkeeping were formulated. Then followed the income tax laws. It became necessary to maintain a correct system of books, in order to meet the new competition of business, and to furnish the information requested by the income tax departments. First audits of business organizations disclosed the need of proper classification of accounts and led to the uniform classifications which have been devised and followed by so many branches of progressive modern business.

Until quite recent years, however, account classification received little attention. With the new expanse of business and new demands for facts concerning financial responsibility, knowledge of production costs, production quantities, value, and the like, old methods which answered requirements of ancient days have given way to improved methods of classification and uniform accounting standards. In this movement the Interstate Commerce Commission and state regulatory bodies have had a beneficial influence. Trade associations inaugurated movements in the same direction, with a view to standardizing costs and prices, based upon knowledge of true facts and figures. Thus we have today many fine systems of uniform accounting.

Uniform accounting systems for a given industry permit of a comparison of details and results with other firms operating in the same

industry. Such systems are of great value in showing the particular accounts in which there appear to be excessive costs, whereupon proper corrective measures may be applied. This is also true in comparison between operating divisions of the same firm.

A uniform classification of account headings with text data of the make-up of each account, which is distributed in book or pamphlet form to the employees producing the figures at the source, is a great aid in properly allocating and distributing the debits and credits. Many of the more important forms used in the industry may be standardized and simplified. It is obvious that such thorough uniformity is time saving and therefore economical in its operation.

Many public accounting organizations favor uniform accounting methods, and this fact is described by C. I. Smith, Certified Public Accountant of Smith-Ellingson-Schuldes Company, when he writes:

"I cheerfully go on record, both for myself personally and for my organization as a whole, in favor of uniform accounting for industries having uniform operating conditions.

"We are living in a day of cooperation, and learning more and more to confide in one another for our mutual benefit. The best comparative results can be secured by the use of uniform accounting methods in any given industry. This principle has already been officially recognized in the field of public utilities, in the requirements for uniform account-procedure by the governing Commissions of the various States, and by the Federal Government, as to inter-state transportation companies. The same principle will work equally well in any business or profession, if its members can be induced to enter voluntarily and heartily into the handling of their records on some sound standard uniform plan."

As a result of several meetings held by the manufacturers of the North Carolina Pine Association during the early part of 1917, a general demand was evident that definite action should be taken whereby all mills could adjust their accounting methods to such an extent as appeared necessary, in order that accurate and uniform or standardized costs would be periodically available. To this end, the North Carolina organization prepared their booklet, entitled *Manual of Cost Reporting,* setting forth information on uniform accounting methods. The manual as it now stands, however, needs revision in some instances to meet present operating conditions, and it is hoped that this association will further the progress of uniform accounting in the lumber industry by an early redrafting of their plan.

The Western Pine Manufacturers' Association, in their publication *Timber Ownership and Lumber Production in the Inland Empire,* by David Townsend Mason, writing on "What the Industry can Do," states:

"When one mill man tells his neighbor that it costs him $1.25 per thousand feet to saw lumber it usually does not mean the same thing to each; one is including items that the other is leaving out. Many companies keep their accounts in such poor fashion that it is impossible to compare their costs with those of other companies. Not a few housewives keep better and more detailed accounts than some lumber companies. Practically no companies carry their cost accounting system to the degree of refinement which many modern business organizations consider necessary.

"Uniform and adequate cost accounting systems, showing at just what point loss replaces gain, afford an important check upon indiscriminate price cutting. With a proper spirit of cooperation, uniform account and cost keeping systems could readily be developed by an association accountant, who has access to the records of the various members. Accounting methods could be standardized for the whole industry, and made available to the members of the association for their guidance."

The Southern Pine Association makes up cost statement bulletins covering each month in the year; these are prepared from cost data furnished by the members. In these reports are presented various costs and figures pertaining to the manufacture of logs and lumber, and the information has met with great interest.

The West Coast Lumbermen's Association has, perhaps, made the greatest advancement along the line of uniform lumber accounting. It has prepared a fine cost accounting system for its members. This plan has been recommended by the Western Pine Manufacturers' Association for use by their member-firms, operating in the territory of Idaho, Montana and Eastern Oregon and Washington.

The Southern Cypress Manufacturers' Association some years ago prepared for its members a set of "Standard Cost Forms," whereby process costs and total costs of manufacture are obtainable. This outline has given excellent results, and portions of that work are given in the following chapters.

The Hardwood Manufacturers' Institute prepares bulletins similar to those of the Southern Pine Association, and has also edited a *Saw Mill Cost Accounting Plan,* a part of which is given in Chapter XIV.

Uniform accounting in the lumber industry, however, should for no good reason be limited to the manufacture of lumber alone. It should be made broad enough to include the production of logs and all the by-products of the woods and mills, and should include the Balance Sheet and Profit and Loss accounts, as well as important subjects relating to the correct application of accounting theory.

Speaking before the Southern Loggers' Association, at its 17th Annual Meeting, at New Orleans, October 25 to 27, 1927, C. A. Bauer, chief statistician for the Southern Pine Association, stated in part:

"Cost accounting, and especially uniform cost accounting for logging operations, affords a virgin field for creative thought and research. It is a subject to which you gentlemen and the industry at large can well devote serious consideration. Cost control methods are needed now more than ever before and the lumber industry should neglect no opportunity to help itself to a more liberal understanding of such phenomena."

The benefits derived from uniform accounting procedure throughout any given industry may be summarized as follows:

1. It establishes a definite, scientific basis for determining costs, quantities and values.
2. It eliminates errors in judgment, omissions and technical mistakes due to insufficient knowledge of accounting principles.
3. It renders individual reports comparable and furnishes a standard basis for measuring economic values.
4. It contributes to intelligent competition within the industry.
5. It enables the industry promptly and properly to represent its interests in matters dealing with legislation, regulation, and the like.
6. It provides true financial statements, based upon proper accounting theory and submitted on standardized forms.
7. It advertises the firms to the world, as those who are progressive and who, by reason of scientific knowledge of costs, are best equipped to serve their customers in an efficient, businesslike manner, thus creating a very tangible kind of good will.
8. It is economical, it is time saving, it is an asset which will aid to perpetuate the industry.

CHAPTER II

THE BALANCE SHEET

The Balance Sheet is a condensed form of business standing, employed to show the source of capital of the enterprise, the manner in which it is invested and the net financial condition of the business. It is used chiefly to fulfill requirements of the management, investors, and the government.

There are innumerable forms and arrangements of balance sheets. The form best suited for the lumber industry, as well as for any other business, is one which provides for properly grouped assets, arranged in their order of availability; properly grouped and stated liabilities, shown in their order of assumed or established demand for settlement; and with Capital and Net Worth so arranged as to reflect clearly excess of assets or liabilities.

In the balance sheet forms and text material given herein the assets have been arranged into four groups, as follows:

1. Current Assets—those quickly convertible into money or its equivalent.
2. Fixed Assets—those representing the firm's investment in permanent property.
3. Deferred Assets—those items of expense, paid or assumed in advance and not to be regarded as expense until some later date.
4. Miscellaneous Assets—those which cannot be included under any of the foregoing groups.

The liabilities have been divided into five groups, of which one covers Capital and Surplus, which also includes Surplus Reserves. The groups comprising this side of the balance sheet, appear as follows:

1. Current Liabilities—those which are definitely determined in amount and are either due at the date of the balance sheet, or become due shortly thereafter.
2. Fixed Liabilities—those items covering bond issues and

similar debts, maturing one year or more from date of issue.

3. Deferred Liabilities—those usually comprising postponed credits to income, to be credited at some later date.
4. Miscellaneous Liabilities—those which cannot be included under any of the foregoing groups and which do not come under the definition of Capital and Surplus.
5. Capital and Surplus—those items representing stock or proprietorship accounts, and which reflect the Net Worth of the business.

Balance sheets are very often drawn up in comparative form covering periods of several years. This is done by columnar arrangement providing for indication of increases and decreases in amounts of like items.

The forms shown in the following pages possess all the merits of a well-arranged balance sheet for the lumber industry, and with slight revision in some cases, perhaps, should meet the requirements of most firms. Numbers shown represent account numbers relating to text data in this chapter, and need not necessarily appear as part of the account title in practice. Good accounting procedure, however, requires an account number for each ledger account, with a "key number" referring to the account group under which the given account is placed on the statements.

ASSETS

Year Ending December 31, 1927

1.	Current Assets			
1.1	Cash on Hand and in Banks			$
1.2	Accounts Receivable—Trade	$		
1.3	Accounts Receivable—Sundry			
1.4	Notes Receivable—Trade			
1.5	Notes Receivable—Sundry			
9.95	Less: Reserve for Freight	$		
9.96	Reserve for Discounts			
9.97	Reserve for Bad Debts		$	
				$
1.6	Investments—Temporary			
1.7	Inventory of Products			
1.8	Miscellaneous Current Assets			
	Total Current Assets			$

ASSETS (continued)

2.	FIXED ASSETS		
2.1	Lands		$
2.2	Timber—Net of Depletion		
2.3	Mills, Machinery and Equipment	$	
2.4	Logging Railroads and Equipment		
2.5	Logging Roads and Bridges		
2.6	Logging Camps and Equipment		
2.7	Miscellaneous Property		
9.98	Less: Reserves for Depreciation		$
	Total Fixed Assets		$
3.	DEFERRED ASSETS		
3.1	Deferred Expense		$
3.2	Deferred Loss on Land Sales		
3.3	Prepaid Accounts		
3.4	Inventory of Materials and Supplies		
3.5	Unamortized Debt Discount and Expense		
3.6	Miscellaneous Deferred Assets		
	Total Deferred Assets		$
4.	MISCELLANEOUS ASSETS		
4.1	Investments—Permanent		$
4.2	Stock Subscriptions (denote kind)		
4.3	Advances to Affiliated Companies		
4.4	Land under Sales Contracts		
4.5	Good Will, Patents, Trade-Marks		
4.7	Miscellaneous Assets		
	Total Miscellaneous Assets		$
	Total Assets		$

FIG. 1

LIABILITIES

Year Ending December 31, 1927

5.	CURRENT LIABILITIES	
5.1	Accounts Payable—Trade	$
5.2	Accounts Payable—Sundry	
5.3	Notes Payable—Trade	

LIABILITIES (continued)

5.4	Notes Payable—Sundry			
5.5	Notes Payable—For Money			
5.6	Dividends Declared (Denote kind, date, and stock to which they apply)			
5.7	Matured Accruals Unpaid			
5.8	Accrued Liabilities			
5.9	Miscellaneous Current Liabilities			
	Total Current Liabilities			$
6.	FIXED LIABILITIES			
6.1	Bonds—Authorized and Issued (Denote kind and due date)		$	
4.61	Less: Sinking Fund			
6.5	Miscellaneous Fixed Liabilities			
	Total Fixed Liabilities			$
7.	DEFERRED LIABILITIES			
7.1	Deferred Profit on Land Sales			$
7.2	Unamortized Premium on Debt			
7.3	Miscellaneous Deferred Liabilities			
	Total Deferred Liabilities			$
8.	MISCELLANEOUS LIABILITIES			
8.1	Advances from Affiliated Companies			$
8.2	Miscellaneous Liabilities			
	Total Miscellaneous Liabilities			$
9.	CAPITAL AND SURPLUS			
9.1	Capital Stock—Authorized (Denote kind and par value)	$		
9.11	Less: Unissued	$		
9.12	Treasury			
9.13	Plus: Subscribed		$	
	Total Capital Stock			$
9.6	Surplus (Or Deficit—in red)			
9.9	Reserves (Of Surplus):			
9.91	For Contingencies		$	
9.92	For Insurance			

LIABILITIES (continued)

9.93 For Expansion
9.94 All Other

Total Capital and Surplus $

Total Liabilities $

FIG. 2

TEXT PERTAINING TO BALANCE SHEET ACCOUNTS

ASSETS (FIG. 1)

1. CURRENT ASSETS

1.1 *Cash*

This account should include the value of all money in the possession of the accounting company in which it has some beneficial interest.

This account should be subdivided upon the books so as to show money on hand and money in the banks. When cash is held in banks, subject to withdrawal only upon several days' notice, it should be shown separately on the balance sheet. Separate subaccounts should be opened on the books of the accounting company, for each bank in which money is kept and for each petty cash drawer maintained. Bank overdrafts should be included on the balance sheet under account 5.9 Miscellaneous Current Liabilities.

Subdivision of this account is as follows:

1.11 Cash—General Cash Drawer
1.12 Cash—Petty Cash Drawer (Specify)
1.13 Cash—Petty Cash Drawer (Specify)
1.14 Cash—Bank (Give name and location)
1.15 Cash—Bank (Give name and location)
1.16 Cash—(Etc.).

1.2 *Accounts Receivable—Trade*

This account should include all amounts owing to the accounting company upon open book accounts with solvent trade customers, as shown by subsidiary Trade Accounts Receivable ledgers. This account should not include negotiable papers.

This account may be subdivided to show territorial customers separately, viz.: local, wholesale, state, national, foreign, or otherwise.

The record of accounts receivable should be kept in such a manner as to permit segregation of accounts as to "good accounts," "doubtful

accounts," or "bad accounts," or such segregation may be made as "not yet due," "10 days past due," "one month past due," "six months or older," or similar classification desired by the management.

1.3 *Accounts Receivable—Sundry*

This account should include all amounts owing to the accounting company upon open book accounts with solvent individuals and concerns as shown by subsidiary Sundry Accounts Receivable ledgers, such customers not being trade customers. Such accounts may cover sales of miscellaneous supplies and equipment, accounts with officers and employees for amounts other than wages or salaries, charges or accruals against others for rent of property, services rendered, and the like. This account should not include negotiable papers.

This account may be subdivided to show territorial accounts separately, viz.: local, wholesale, state, national, foreign, or otherwise, or it may be divided by groups, such as "rent accounts," "railroad earnings accounts," "electric department accounts," and the like. There may be many such subdivisions or there may be few, depending upon the size of the firm and the diversity of its business.

1.4 *Notes Receivable—Trade*

This account should include the ledger value of all notes which are the property of the accounting company in which it has some beneficial interest and upon which solvent trade customers, or insolvent trade customers whose exact state of insolvency is not yet determined, are liable. If notes have more than one year to run, they may be carried in this account if strictly desired, but should be shown on the balance sheet under account 4.1 Investments—Permanent.

This account may be subdivided to show trade acceptances separately if desired.

This account does not include notes or other negotiable papers coming within the definition of Advances to Affiliated Companies.

1.5 *Notes Receivable—Sundry*

This account should include the ledger value of all notes which are the property of the accounting company in which it has some beneficial interest and upon which solvent individuals or concerns, or insolvent individuals or concerns whose exact state of insolvency is not yet determined and who are not trade customers, are liable. If notes have more than one year to run from date of issue they may be carried in this account if so desired, but should be shown on the balance sheet under account 4.1 Investments—Permanent.

This account may be subdivided to show trade acceptances separately if desired.

This account does not include notes or other sundry negotiable papers coming within the definition of Advances to Affiliated Companies.

1.6 *Investments—Temporary*

This account should include the ledger value of the accounting company's investment in securities or negotiable papers of the government, municipalities, or of solvent individuals or industrial enterprises, which securities or negotiable papers are quickly convertible into money or its equivalent.

In case such investments are numerous, a subsidiary investment ledger should be kept to support this account. However, when holdings are few it is more convenient and proper to carry the detail of such accounts on the General Ledger only.

Separate subaccounts should be opened for each class of temporary investment held, arranged on the books of the accounting company in the following suggested order:

1.61 Investments—Temporary—Stocks
1.62 Investments—Temporary—Bonds
1.63 Investments—Temporary—Notes
1.64 Investments—Temporary—All other (Specify)

This account should not include investments in Special Funds or in securities pledged for the purpose of establishing a Sinking Fund. Likewise this account should not include investments in securities of affiliated companies, as such items come within the definition of account Advances to Affiliated Companies and are covered by account 4.3. Investments in affiliated companies are as a rule not deemed Current Assets, although they may be so in nature.

It is advisable to divide investments into two groups, as shown in this chapter, viz., "Temporary" and "Permanent"—placing the former among the Current Assets and the latter among Miscellaneous Assets.

1.7 *Inventory of Products*

This account should include the ledger value of all inventories of products of the accounting company in which it has some beneficial interest, whether such products consist of raw material, products in the process of manufacture, or finished products. Inventory value should take into consideration the location of products, viz., in the woods, at the woods landing, at sawmill, in pile in yards, etc.

Inventories valued at cost cause many technical difficulties, due to

the interpretation of the word "cost." Most inventories taken on a cost basis represent only nominal cost, because true cost of each unit or grade is difficult or impractical to attempt to procure. It would be impossible to arrive at absolute, true cost of the various grades of lumber pertaining to the specific pieces of lumber on hand at any given date. Likewise it would be an impossibility to secure a true cost of specific pieces of pulp wood, or specific cords of bark, etc., on hand at any inventory date. The only solution is to use average manufacturing or production cost applying to products so manufactured or produced within the current period, taking into account of course the inventory of such products on hand at the beginning of the period.

Inventories based upon market value—or replacement value as it is sometimes called—are more easily computed and can be priced by using latest reliable market quotations, with the advantage that prices applying to specific grades or kinds may be used when it is desired to do so. "Market" means current bid price prevailing at the date of inventory for the given stock, in quantities usually sold by the party taking the inventory.

Another method often employed, although not commonly used in the lumber industry, is one based upon Selling Price. This plan meets with disfavor, however, as it anticipates profits, and from the accounting standpoint "sets up an unrealized book profit." It may be used to advantage, nevertheless, where products have been milled to special order, and in such a case it has the effect of entering such items on the books as a sale and realizing the profit at inventory date.

The accepted rule of accounting and business practice in the lumber industry, and the one favored by the Treasury Department, appears to be to value inventories of products at "cost or market, whichever is lower," though even the interpretation and application of this rule has been a point of disagreement for some time. Variations from it appear advisable under abnormal conditions and at certain periods, for example, from 1916 to 1921 inclusive.

The interpretation of the "cost or market, whichever is lower" rule is computed on the grounds that it should be taken item for item: lumber as one item, lath, shingles, pulp wood, bark, etc., as other items. The Treasury Department, when asked to quote on this rule, advises: "The item of lumber, lath or shingles cannot again be subdivided into grades to get the cost or market, whichever is lower, in each of the grades, in order to arrive at the inventory value of the item of lumber. The reason that this method is not permitted is that

it understates the inventory by pricing the low value lumber at market and the high value lumber at average cost."

Kind	*Grade*	*Cost*	*Market*	*Cost or Market whichever lower*
Hemlock	1	$ 25.00	$26.00	$25.00
Maple	2	25.00	24.00	24.00
Birch	3	25.00	18.00	18.00
Pine	1	25.00	30.00	25.00
		$100.00	$98.00	$92.00

The above illustration shows that if each grade were an item by itself the inventory value would be $92.00. This, however, is not permitted, and the inventory value of the lumber as a unit is $98.00, as this represents the "cost or market, whichever is lower." The same rule applies to all products of the lumber industry, according to the interpretation of the Treasury Department.

Raw materials and products in process of manufacture are usually valued at cost. In case of decline in values, adjustments are made either through an Inventory Reserve or by adjustment of cost figures on products so manufactured in a subsequent period.

Inventories pledged as collateral should be so designated on the balance sheet.

This account should be subdivided to show each product separately, and such accounts should appear on the books of the accounting company in the following order:

1.71 Inventory of Products—Lumber
1.72 Inventory of Products—Logs
1.73 Inventory of Products—Cedar Logs
1.74 Inventory of Products—Cedar Posts
1.75 Inventory of Products—Cedar Poles
1.76 Inventory of Products—Lath
1.77 Inventory of Products—Shingles
1.78 Inventory of Products—Wood
1.79 Inventory of Products—Pulp Wood
1.710 Inventory of Products—Bark

1.8 *Miscellaneous Current Assets*

This account should include the ledger value of all miscellaneous current assets which are not included under any of the foregoing accounts; such assets being readily convertible into money or capable

of being used in the operation or construction of the business, and which do not come within the definition of Deferred Expense, account 3.1.

Separate subaccounts may be opened on the books of the accounting company to cover such assets, and each account should be specifically named and subnumbered.

2. Fixed Assets

2.1 *Lands*

This account should include the ledger value of all lands owned or held by the accounting company, in which it has some beneficial interest. This covers timber lands, farm lands, manufacturing sites, city lots, and all other lands, but shall not include the cost of timber, buildings, railroads or pole lines standing thereon or made thereon, or minerals lying therein, at the time of acquisition. Costs incidental to acquiring such lands are, however, correctly chargeable to this account.

It is advisable to keep the cost of improvements, such as drainage, filling, clearing, and so on, separate from original cost of the land. Temporary appreciation of land values should not be entered on the books until realized, at which time such increase in value will reflect in the profit on such land sale.

This account should be subdivided upon the books of the accounting company to show each group of land separately, such as:

2.11 Lands—Under Timber (Specify tract)
2.12 Lands—Cutover (Specify tract)
2.13 Lands—Farms
2.14 Lands—Manufacturing Sites
2.15 Lands—City Lots
2.16 Lands—All Other (Specify).

Many lumber firms desire to divide their timber lands and ledger accounts pertaining thereto into two groups: Lands Under Timber and Cutover Lands. When this is done, subaccount 2.11 Lands Under Timber should be opened up, as shown above, to cover the ledger value of all uncut lands when cost has been allocated thereto. Transfers from Lands Under Timber, to subaccount 2.12 Cutover Lands are made as the lands are cleared of timber, entry being based of course upon values used in original set-ups.

The land on which timber is standing is often considered of little or no value. The purchase price is based upon the value of timber

alone and cost charged entirely to Timber accounts. The value, if any, of such lands depends upon location, nature of the soil, climate, and marketability at a time when the timber will be cut therefrom. When original set-up or allocation is made these factors should be taken into consideration. In many cases a nominal value per acre is placed upon the land, either by the seller or by the buyer, and the balance allocated to timber at the time of purchase. In still other cases income tax laws require costs to be prorated over an established scale and allocations to lands and timber made at stipulated rates.

Farms, manufacturing sites, and the like usually have a definite value based upon actual cost and should be carried on the books of the accounting company on that basis.

When land is sold, whether for cash or on Land Contract, the appropriate subaccount hereunder should be credited with the cost of the land thus sold. When sold for cash, or full consideration is made at the time of sale, the profit or loss on the transaction should be entered direct to the appropriate subaccount, under Profit and Loss. When sale is made under a Land Contract, however, credit the amount of such profit to account 7.1 Deferred Profit on Land Sales, or, if sold at a loss, debit the amount of such loss to Deferred Loss on Land Sales, account 3.2. The offsetting debit, which represents sales or contract price, being made to account 4.4 Lands Under Sales Contracts. As payments become due and are paid by the purchaser, credit should be made to Land Under Sales Contracts and debit to Cash or other suitable account. Credit or debit, as the case may be, should then be made to account 7.1 Deferred Profit on Land Sales or account 3.2 Deferred Loss on Land Sales, for the amount of such profit or loss included in the amount so paid, based upon the ratio of total profit or total loss on the sale to total sales price.

A Land Ledger should be used in connection with land holdings of large firms. These are arranged so as to provide full description of each parcel of land, giving characteristics of the soil, original cost or appraised value, improvements, and any other information available or desired by the management. A record of this kind resembles a subsidiary ledger, supporting and remaining in balance with the land accounts in the General Ledger. Forms of Land Ledger sheets appear in another chapter.

2.2 *Timber*

This account should include the ledger value of all standing timber owned or held by the accounting company, in which it has some bene-

ficial interest. By "timber" is meant log timber, post timber, pole timber, pulp wood timber, or any other timber to which cost has been allocated or which has been so appraised and established as timber property of the accounting company. This account should not include timber cut into logs, posts, poles, pulp wood or other products, on which depletion has been credited to this account.

The timber resources are the principle assets of a lumber manufacturing concern. They form the most important assets for the issuance of securities, and upon the length of cut depends the very life of the enterprise and the value of plants and other property. The value per thousand feet forms the basis for charges to the depletion expense accounts of all products, and the estimated quantities of timber play an important part in the depreciation rates and salvage of mills and equipment.

This account should be credited with the cost of all timber cut by the accounting company or its agents, with a corresponding debit to the depletion account, of the specific products cut. It is advisable to write down the timber account or accounts with such depletion in place of establishing reserves, although many firms prefer the latter method.

This account should be credited with the cost of all standing timber sold, whether sold for cash or on a Timber Contract, or so-called contract of "cutting rights." Entries should be handled in the same manner as outlined for the sales of land. A separate group of accounts pertaining to timber sales should be opened, to provide for correct accounting of such timber sales. Refer to accounts relating to sales of land; accounts: 2.1 Lands, 3.2 Deferred Loss on Land Sales, 4.4 Lands Under Sales Contracts, and 7.1 Deferred Profit on Land Sales.

The allowance for depletion of timber, or credit to timber account or accounts for sales of standing timber or "cutting rights," should be based upon the number of units of timber cut during the period, or sold during the period, and the unit value of the timber in the timber account or accounts pertaining to the timber cut or sold. The unit value of the timber for a given timber account in a given period should be the quotient obtained by dividing (1) the total number of units of timber on hand in the given account at the beginning of the period plus the number of units acquired during the period plus (or minus) the number of units required to be added (or subtracted) by way of correcting the estimate of the number of units remaining available in the account, into (2) the total cost or appraised value of the timber on hand at the beginning of the period plus the cost of the number

of units acquired during the period. The amount of the deduction from the timber account or accounts as depletion or cost of sales in any period with respect to a given timber account should be the product of (1) the number of units of timber cut or sold from the given account during the period, multiplied by (2) the unit value of the timber for the given account for the period. The total amount of depletion or credits on account of sales in any period should be the sum of the amounts computed for the several timber accounts.

Estimates of timber should be made with respect to each separate timber account and the total units (feet board measure log scale, cords, pieces or other units) of timber reasonably known or on good evidence believed to have existed on the ground on the date of appraisal or on the date of acquisition of the property, as the case may be. Purchases of timber for immediate logging should be charged direct to the depletion account within the current logging period of the product so purchased. There would be no sound reason for changing the depletion rate of all subsequent years by an addition to the timber account or accounts of a purchase of so short a life. Estimates of timber should in all cases state as nearly as possible the number of units which would have been found present by a careful survey made on the specified date with the object of determining 100 per cent of the quantity of merchantable timber which the tract should have produced on that date if all of the timber had been logged and utilized in accordance with the standards of utilization prevailing in that region at that time. Revision of original estimates of timber on any area, due to changes in standards of utilization, errors in computations, growth of timber, and the like, may be made, and new estimates of the recoverable units of timber may be made upon the books of the accounting company with the approval of the Commissioner of Internal Revenue with respect to Federal Income Tax, but no such revision will be allowed in the cost or fair market value at a specified date, revision alone being made in the number of units.

Depletion or credits for sales of timber are often made on the basis of general average, without respect to species or kinds of timber owned.

The unit depletion rate or credit to Timber Account or accounts in case of sale of timber from the following illustration, on the basis of general average, would be at the rate of $3.636 per thousand feet, regardless of the various values placed on the different species. A thousand feet of timber, would be a thousand feet, regardless of all kind and with no respect given the individual value thereof.

Illustration:

Species	*Quantities*	*Cost Per M ft.*	*Total Cost*
Pine	9,000,000 ft.	$5.00	$ 45,000.00
Hemlock	50,000,000	3.00	150,000.00
Maple	40,000,000	4.00	160,000.00
Birch	10,000,000	4.00	40,000.00
Oak	1,000,000	5.00	5,000.00
Totals,	110,000,000 ft.	$3.636	$400,000.00

However, if it is desired to maintain the segregation of the various species, general accounting procedure would still remain the same; but instead of carrying one asset entitled Timber having a ledger value of $400,000 separate accounts would be carried for each kind of timber, and depletion figures or credits in case of sales would be made on the basis of species with unit rates applicable to each. The same is true of other products, such as posts, poles, pulp wood, and the like, when attention is given to size, kind or species.

The method applying general average is much favored and appears to be the most widely used in the lumber industry, unless certain species were purchased at greatly enhanced figures or certain blocks of timber are made up of only a few kinds of woods.

The principles underlying the valuation of timber has always been a difficult matter to segregate and solve. Quality of timber and its marketability when manufactured into lumber; accessibility of timber involving railroad facilities and water transportation; topography of the land underlying the timber, having a large bearing on logging conditions; blocking of tracts (a number of small, scattered tracts may have little value, but when united with others into blocks they can be logged more profitably and warrant an investment in mills and equipment), and conditions of climate are, no doubt, the most important differences relative to standing timber values. The form T issued by the Treasury Department should be studied by all who are interested in the valuation and taxation of forest industries.

Treasury Decision 2916

Providing for the addition of two new articles, Regulations 45, in regard to the determination of the fair market value and quantity of timber.

Art. 234. DETERMINATION OF FAIR MARKET VALUE OF TIMBER. Where the fair market value of the property at a specified date in lieu of the cost thereof is the basis for depletion and depreciation deductions, such

value must be determined, subject to approval or revision by the Commissioner, by the owner of the property in the light of the most reliable and accurate information with reference to the condition of the property as it existed at that date, regardless of all subsequent changes in surrounding circumstances, in methods of exploitation, in degree of utilization, etc. The value sought should be that established assuming a transfer between a willing seller and a willing buyer as of that particular date. No rule or method of determining the fair market value of timber property is prescribed, but the Commissioner will give due weight and consideration to any and all facts and evidence having a bearing on the market value, such as cost, actual sales and transfers of similar properties, market value of stock or shares, royalties and rentals, value fixed by the owners for purposes of the capital stock tax, valuation for local or State taxation, partnership accountings, records of litigation in which the value of the property was in question, the amount at which the property may have been inventoried in probate court, disinterested appraisals by approved methods, and other factors. For depletion purposes the cost of the timber or its fair market value at a specified date shall not include any part of the cost or value of the land.

Art. 235. DETERMINATION OF QUANTITY OF TIMBER. Each taxpayer claiming a deduction for depletion is required to estimate with respect to each separate timber account the total units (feet board measure, cords, or other units) of timber reasonably known or on good evidence believed to have existed on the ground on March 1, 1913, or on the date of acquisition of the property, as the case may be. The taxpayer, according to his best knowledge and belief and in the light of the most accurate and reliable information, will estimate the number of units of timber actually present upon the specified date; this estimate will state the number of units which would have been found present by a careful estimate made on the specified date with the object of determining 100 per cent of the quantity of timber which the area would have produced on that date if all of the merchantable timber had been cut and utilized in accordance with the standards of utilization prevailing in that region at that time. If subsequently during the ownership of the taxpayer making the return additional units of timber are found to be available for utilization as the result of the growth of the timber, of closer utilization of the timber, of the utilization of species of trees not formerly utilized, of underestimates of the quantity of timber available on the specified date, etc., which were not taken into account in estimating the number of units for purposes of depletion, or if it shall be found in the course of operation that timber included in the estimate is not merchantable as the result of deterioration through rot or otherwise, or that the original estimate was too great, a new estimate of the recoverable units of timber (but not of the cost or the fair market value at a specified date) shall be made, and when made shall thereafter constitute a basis for depletion. In the selection of the unit or units of estimate the custom applicable to the given type of timber in the given region should be considered.

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26 West 33rd Street, New York City, *Cost Accounting in the Lumber Industry,* by A. J. Carson:

Account 31—STANDING TIMBER

This account represents the value of the un-cut timber owned by the company. It is based upon cruises made of the timber available at a given rate per thousand feet, log measurement.

Charge this account: With purchase of additional stumpage. With additional stumpage upon the lands owned by the company or held through leases or contracts, which have developed to a greater footage than the amount carried in this account.

Credit this account: At the close of each month with the stumpage value of logs delivered to the mill pond at the rate at which it is carried in this account.

This account should be subdivided so far as practical, to show each tract of timber separately, when in accordance with related accounting principles and demands. A detailed Timber Ledger is advantageously kept in this connection, in which is given a description of the timber on each tract, together with original cost or appraised value, and/or additional capitalization expenses at subsequent dates.

Subaccounts appearing hereunder should be in the following order:

2.21 Timber (Specify tract)
- 2.211 Logs
- 2.212 Cedar Logs
- 2.213 Cedar Posts
- 2.214 Cedar Poles
- 2.215 Pulp Wood
- 2.216 All Other (Specify)

2.22 Timber (Specify tract)
- 2.221 Logs
- 2.222 Cedar Logs
- 2.223 Cedar Posts
- 2.224 Cedar Poles
- 2.225 Pulp Wood
- 2.226 All other (Specify).

In drafting a schedule for report purposes, a form widely used to provide data relative to changes in the investment in different tracts and different products, follows. This covers only logs—similar forms being used to present the standing of other products.

TIMBER—Tract No. 1.—*LOGS*

	Amount	*Feet*	*Av.*
Balance—Jan. 1, 1927	$21,000.00	4,000,000	$5.25
Purchases during the year	4,000.00	1,000,000	4.00
Total	25,000.00	5,000,000	5.00
Sales during the year (Deduct cost only here)	2,500.00	500,000	5.00
	22,500.00	4,500,000	5.00
Depletion for the year	20,000.00	4,000,000	5.00
Balance—Dec. 31, 1927	$ 2,500.00	500,000	$5.00

(Agree with page in Timber Ledger)

2.3 *Mills, Machinery and Equipment*

This account should include the ledger value of all permanent buildings to house, support, or safeguard property or persons, and shall include all machinery and equipment therein.

This account should be subdivided to show Mills, Machinery, and Equipment separately, in the following order:

2.31 Mills

This account should include the ledger value of all permanent buildings to house, support or safeguard property or persons, and should include fixtures built in or attached thereto and forming a part thereof, such as sewage, sprinkler, heating, ventilating, water or lighting systems, also permanent foundations to support machinery, but shall not include machinery or equipment not permanently affixed. This account should include the cost of all materials and labor used in the construction of such buildings, cost of wood, concrete, steel, or brick foundations of buildings, chimneys, piers, piling, grading, filling, and all other expenditures necessary in the construction of such mills. This should include the cost of architect's fees, interest on borrowed money, insurance, and injuries and damages, during construction.

This account should be further subdivided, to show the ledger value of all mills separately, as Saw Mill, Planing Mill, Shingle Mill, Wood Mill, Flooring Mill, Box Mill, Door Mill, Millwork Mill, etc., but shall not include logging camps and camp buildings or any other miscellaneous buildings. This account is specifically termed "Mills," to include the investment in manufacturing buildings only. When more than one mill is under the same roof, a division is correctly made on a basis of floor space occupied and investment allocated accordingly.

Example: B Company construct a saw mill providing a floor space of 10,000 square feet, at a cost of $100,000.00. A portion of the saw mill is occupied by the wood mill, requiring a space of 500 square feet. How shall the allocation of investment be made in order to set up a property account on the books for each department?

Solution: Total investment,	$100,000.00
Total floor space,	10,000 sq. ft.
Average investment per square foot ($100,000 divided by 10,000) equals	$ 10.00
Saw mill occupies 9,500 sq. ft., @$10.00,	$ 95,000.00
Wood mill occupies 500 sq. ft., @$10.00,	$ 5,000.00

It is often more desirable to allow the investment to remain in one account, in place of making a division as shown in the above example. In such a case allocation of burden expense alone is made, with no division of mill investment. Distribution of burden may be made upon the same theory as allocation of investment, or on some other basis more suitable to the particular case.

A Plant Ledger should be used to record the investment and correctly compute depreciation charges of the various mills. Such a ledger represents a subsidiary ledger and should be kept in balance with the General Ledger control governing same.

Depreciation charges on buildings vary greatly with respect to type of construction, location, method of operation, and timber owned. Each particular case has its own effects which promote or retard the process of such diminishing value. Depreciations on buildings are most commonly figured on the straight-line method, or with relation of investment in the mills to amount of timber owned, in case of lumber companies. It is advisable to establish a Depreciation Reserve account instead of writing down the asset, in the case of buildings. The various methods of depreciation are fully discussed in Chapter XVII.

2.32 Machinery

This account should include the ledger value of all machinery used in the mills and not made a permanent part of the mill buildings. This includes all engines, carriages, edgers, planers, band-mills, molders, gangs, resaws, motors, fans, blowers, and all other machinery used in and about the mills. This account should not include logging machinery or logging railroad machinery.

This account should be further subdivided to show the ledger value

of machinery in each mill separately, viz., Saw Mill Machinery, Planing Mill Machinery, Shingle Mill Machinery, Wood Mill Machinery, Flooring Mill Machinery, Box Mill Machinery, Door Mill Machinery, Millwork Mill Machinery, etc., but shall not include machinery used in miscellaneous operations not pertaining to the mills.

A Plant Ledger should be used in recording the investment and depreciation of machinery. Each machine should bear a specific number to correspond with the number appearing on its page in the Plant Ledger. Such Plant Ledger should provide full name-plate or similar description of the machine, also give its original cost, additions, removals, estimated years of life, and should show at all times the remaining undepreciated balance of the investment. A record of this kind provides a sound basis for departmentalizing property investment for cost finding, establishing proper reserves, judiciously placing and apportioning insurance, and for adjustment of fire losses by providing proof of loss and avoiding lengthy adjustment negotiations. A form of such Plant Ledger is shown elsewhere in the book.

Depreciation charges vary greatly with respect to machines, location, method of operation, maintenance, and the onward trend of invention. Methods most commonly employed are the straight-line, sum-of-digits, inventory, and relation of wasting asset to investment method. These are fully discussed under another chapter.

2.33 Equipment

This account should include the ledger value of all equipment used in the mills and not made a permanent part of the mill buildings. This includes boilers, boiler apparatus, boiler room accessories, valves, piping, tools, saw setting and filing devices, saws, beltings, pulleys, rollers and all other equipment used in and about the mills. This account should not include logging equipment or logging railroad equipment or any miscellaneous equipment not used at the mills.

This account should be further subdivided to show the ledger value of equipment in each mill separately, viz., Saw Mill Equipment, Planing Mill Equipment, Shingle Mill Equipment, Wood Mill Equipment, Flooring Mill Equipment, Box Mill Equipment, Door Mill Equipment, Millwork Mill Equipment, etc. This account should not include equipment which is a part of any machine and which is considered a part of such machine unit.

A Plant Ledger should be used in recording the investment and depreciation of equipment wherever practical, and should provide a

full description of such property. A form of Plant Ledger sheet will be found in the chapter on forms.

Depreciation charges vary greatly with respect to type of equipment, method of operation, supervision, and recording methods. The straight-line, inventory, and relation of timber owned to investment provide perhaps the three most widely favored methods of computing depreciation on equipment. Several methods are illustrated in Chapter XVII.

2.4 *Logging Railroads and Equipment*

This account should include the ledger value of logging railroads and logging railroad equipment owned or held by the accounting company, in which it has some beneficial interest; such railroads and equipment having an estimated life exceeding one year.

This account should cover the cost of all labor and material used in the construction of such logging railroads and spurs, including interest on borrowed money, insurance, injuries and damages during construction, also the cost of engineers, surveyors, right of way, and all other necessary expenditures incidental to such construction. This account should also cover such equipment as locomotives, pedes, cars, car equipment, tools, and all other equipment used on and about such logging railroads and correctly classified as logging railroad equipment.

This account should be subdivided to show the cost of construction separate from the cost of equipment; the cost of constructing trunk lines should be kept separate from the cost of building spur lines; the equipment used on each trunk line should be kept separate.

Subdivision should be made in the following order:

2.41 Logging Railroad No. 1
- 2.411 Trunk Line
- 2.412 Spur A
- 2.413 Spur B
- 2.414 Spur C
- 2.415 Equipment

2.42 Logging Railroad No. 2
- 2.421 Trunk Line
- 2.422 Spur A
- 2.423 Spur B
- 2.424 Spur C
- 2.425 Equipment

Depreciation on trunk lines should be made on the basis of relation of entire timber tributary to entire railroad system, while the depreciation on the spur lines should be made on the basis of the relation of timber tributary to the spur line only. The investment in logging railroads represents a deferred charge to future operations and should be charged off the books as the timber for which benefit such investment was made is cut and transported out. Nevertheless, other methods of depreciation are used by many firms, and this is especially true regarding the depreciation of logging railroad equipment.

Example: X Company constructs a trunk line logging railroad at a cost of $50,000.00. Log timber tributary to such trunk line is estimated at 50,000,000 feet. In addition to the trunk line, spur A is built at a cost of $10,000.00, and log timber tributary to this spur is estimated at 4,000,000 feet. During the year 1927, 2,000,000 feet of log timber has been cut at this operation and transported over spur A and the trunk line. Compute the depreciation for the year on the relation of timber to investment basis.

Solution:

Depreciation on Trunk Line

Investment	$50,000.00
Log timber tributary thereto	50,000 M ft,
Depreciation rate per M ft.	1.00
Depreciation for the year, (2,000 M ft.)	$ 2,000.00

Depreciation on Spur A

Investment	$10,000.00
Log timber tributary thereto	4,000 M ft.
Depreciation rate per M ft.	2.50
Depreciation for the year, (2,000 M ft.)	$ 5,000.00

Summary of Depreciation for the year

Trunk Line	$ 2,000.00
Spur A	5,000.00
	$ 7,000.00

Entries:

Burden Cost Control		
Railroad Expense	$7,000.00	
Depreciation Reserve—Trunk Line		$2,000.00
Depreciation Reserve—Spur A		5,000.00

Depreciation on logging railroad equipment, when computed on the basis of relation of timber to investment, calculations are made in the same manner as above outlined. Additions or removals of property, affecting logging railroad construction or logging railroad equipment, change the balance remaining in such accounts, and will reflect a change in the unit depreciation rates for the year in which such change occurred, and for all subsequent years. New spurs constructed should be depreciated on the same basis as above, and the balance remaining in such accounts, following abandonment or removal of entire trunk line or spur, should be cleared into the operating expense accounts for the year in which abandonment or removal was made, or, if any such undepreciated balance should materially effect the current year's production costs, entry may be made directly to Profit and Loss, as a separate and distinct item.

2.5 *Logging Roads and Bridges*

This account should include the ledger value of all logging roads and bridges in which the accounting company has some beneficial interest; such roads and bridges having an estimated life exceeding one year. This account should cover the labor, team labor, and material used in the construction of such roads and bridges, including engineers' and surveyors' fees, supplies, and all expense incidental to such construction.

While it is the policy of many companies not to capitalize the expenditures pertaining to logging roads and bridges, yet it is evident that a large investment in such construction expended or accrued during any one year, tributary to which all the timber has not been cut and removed the same year in which such outlay of money took place, would tend materially to increase the cost of production in said year and decrease the cost in a subsequent year. It is therefore a more practical theory from the financial and accounting standpoint to treat such construction on the books in a manner similar to an investment in logging railroads and spurs.

Separate subaccounts should be opened for each construction project, covering logging roads and bridges having an estimated life greater than the current logging period. Such subaccounts should denote to which tract of timber or project they relate, as follows:

2.51 Logging Roads and Bridges—Project No. 1
2.52 Logging Roads and Bridges—Project No. 2
2.53 Logging Roads and Bridges—Project No. 3.

Depreciation of the property or investment represented by this account is most commonly made on the basis of relation of timber tributary to such logging road and computed in the same manner as outlined for the depreciation of logging railroads and spurs, in the foregoing account. Allocation of the depreciation of this account is correctly made on the basis of loads transported over such road. Depreciation with its allocation should be figured separately for each project, with relation of log timber tributary to each specific project.

An example of properly allocating the depreciation for a period, on the basis of loads transported, follows:

Suppose the depreciation for the year 1927 on the logging roads and bridges in Project No. 1 totals $2,000.00. Total loads transported over Project No. 1 equals 500, made up of the following as reported by the woods clerk: Logs, 300 loads; Cedar Logs, 50 loads; Cedar Posts, 25 loads; Cedar Poles, 25 loads; and Pulp Wood, 100 loads. Prepare a statement showing allocation of the depreciation for the year.

		Allocation	
Loads Transported	*Products*	*Per cent*	*Amount*
300	Logs	60	$1,200.00
50	Cedar Logs	10	200.00
25	Cedar Posts	5	100.00
25	Cedar Poles	5	100.00
100	Pulp Wood	20	400.00
500		100	$2,000.00

Additions to the investment in logging roads and bridges will reflect a change in the depreciation rates for the period in which such additions were made, and for all subsequent periods. Balances remaining in this account following abandonment or removal of all timber may be cleared into the last period's operating costs, or if such undepreciated balance is large, same may be posted directly to the Profit and Loss Account, or any such portion which materially exceeds the depreciation of former years may, if desirable, be closed into Profit and Loss.

2.6 *Logging Camps and Equipment*

This account should include the ledger value of all camp buildings and logging equipment, owned or held by the accounting company in which it has some beneficial interest.

This account should be subdivided to show logging camps separate

from logging equipment, and the logging camps and logging equipment of different projects should be kept separate.

2.61 Logging Camps—Camp No. 1

This account should include the ledger value of all camp buildings, and should cover labor, material, supplies, and expense, used or incidental to the construction or purchase of such camp buildings. This account should not include camp equipment, unless same is permanently made a part of such buildings.

This account should be further subdivided to show the investment in camp buildings at different operations or projects. Camp buildings owned or held, and not in use, should be so designated on the records.

Depreciation of camp buildings is best computed upon the basis of relation of log timber tributary to the camps and estimated to be logged from such project. However, when it is believed that camps will be moved and placed in use at another operation, following their present location, depreciation is often computed on the straight-line, or other, method. As a rule, little or no allowance is made for salvage of camp buildings, as any such salvage realized is offset by the cost of moving and dismantling. If, finally, any salvage over and above cost of removal or dismantling is realized, it may be absorbed in the current year's operating expense or credited to Profit and Loss.

A Plant Ledger should be used to record the investment and correctly calculate depreciation charges of the various camps when there are many in operation. Such a ledger represents a subsidiary ledger and should be kept in balance with the General Ledger control governing same. When projects are few, however, such a record would be of little value.

2.62 Logging Equipment—Camp No. 1

This account should include the ledger value of all camp equipment and should cover the expense of placing such equipment at the project where same is to be put in service. Logging equipment should cover property with life estimated to exceed one year, and should include loaders, haulers, sleighs, wagons, steam shovels, hoists, electrical apparatus, sprinklers, tools, and all other equipment used in and about logging camps, with the exception of horses, mules, and harness.

This account should be further subdivided to show the investment in camp equipment at different operations or projects. Camp equipment at projects not in operation should be so designated on the records.

Depreciation of camp equipment is best computed by the inventory

method, although many firms prefer other methods. Depreciation charges relating to camp equipment vary greatly with respect to type of equipment, method of operation, supervision, and methods of recording the many items which go to make up the investment. The inventory basis of depreciation of equipment affords an excellent opportunity of a periodic "check-up" of equipment and allows the items lost, destroyed or stolen to be accounted for. This method is illustrated in Chapter XVII.

A Plant Ledger should be employed to record all camp equipment, and wherever possible items of equipment should bear a specific number stenciled or stamped thereon to correspond with numbers appearing in the Plant Ledger. A form of Plant Ledger sheet will also be found in Chapter XIX.

2.7 Miscellaneous Property

This account should include the ledger value of all property not heretofore provided for and in which the accounting company has some beneficial interest. The property included in this account should be so divided upon the books of the accounting company as to show separately all items in use or relating to the logging department and items relating to the manufacturing division. This enables the correct distribution of depreciation charges to the various burden expense controls and affords the management an opportunity to compare investment of capital.

Separate subaccounts should be opened on the books of the accounting company to cover each class of property. Such property may consist of horses, mules, harness, live stock, automobiles, trucks, wagons, machine shop equipment, electric or telephone systems, miscellaneous buildings, miscellaneous machinery, and miscellaneous equipment.

Depreciation on miscellaneous property should be computed on the basis best suited to each particular property, and the basis, once chosen, should be held consistently unless it is shown to be in error. Several methods of calculating depreciation are illustrated in Chapter XVII.

Whenever practicable a Plant Ledger or Property Ledger should be maintained to record the investment and depreciation entries of all property represented by this account. Items of property, or groups of items of the same class of property, should be numbered, and such numbers, together with full description of the property, should be recorded in the Plant or Property ledger wherever it is possible to carry out such procedure to advantage.

3. Deferred Assets

3.1 *Deferred Expense*

This account should include the ledger amounts of all current operating expense, sustained or accrued, pertaining to any department which has not completed its specific work and from which no finished products have been inventoried, transferred or sold.

Expenses incurred at logging projects during late autumn or early winter, or near the end of any other fiscal logging period, from which no products were shipped and where it is undesirable to inventory such products, should be deferred to future operations by debiting this account and crediting the operating accounts of the project or department thus carried over. At the beginning of the next period, this account should be cleared into the accounts previously credited with such expense. This account serves as a suspense, or "work in progress," account wherein such charges are carried until final disposition is ascertained.

This account should be subdivided to show expense applying to various projects or departments separately.

3.2 *Deferred Loss on Land Sales*

This account should include the ledger balances of all deferred losses on land sales contracts in which the accounting company has some beneficial interest.

When land is sold under a sales contract, full payment not being made at the time of sale, the amount of any loss arising from such sale should be charged to this account. Account 2.1 Lands should be credited at the time of sale with the cost to the accounting company of such land sold, and account 4.4 Land Under Sales Contract should be debited only for the sales price of such land. The total amount of loss on the sale should be charged to this account to balance the entry. As payments become due and settlement is made, credit Land Under Sales Contract, and debit Cash or other appropriate account, followed by credit to this account for the amount of the loss sustained in the amount so paid, based upon the ratio of total loss on the sale to total sales price, with an offsetting debit to Profit and Loss. The entries recording the amortization of deferred loss are entirely apart from the entries of payment.

Example: The S.E.¼ Sec. 32, Township 99, Range 27, of Tract No. 2, sold to John Clarton for $100.00. The cost of this land, as

shown by the books of the accounting company, is $140.00. Sale is made under a land contract dated June 1, 1927, with an initial payment on that date of $25.00. On July 1, 1927, another payment of $25.00 was made, the remainder of the contract to be paid for any time within two years from date of contract. Show the entries recording sale and payments on the books of the accounting company.

Entries:

June 1, 1927

Land Under Sales Contracts, $100.00
(Open an account with John Clarton)
Deferred Loss on Land Sales 40.00
Lands $140.00
To set up the sale of the S. E. ¼ Sec. 32, Township 99, Range 27, of Tract No. 2, sold this day to Mr. John Clarton, R. Route No. 3, Greenville, Michigan, under Land Contract No. 101.

June 1, 1927

Cash $ 25.00
Land Under Sales Contracts, $ 25.00
(Account of John Clarton)
To record payment made this day, to bind contract with Mr. John Clarton, on the purchase of the S. E. ¼ Sec. 32, Township 99, Range 27, of Tract No. 2, per Land Contract No. 101.

June 1, 1927

Realized Loss on Land Sales $ 10.00
Deferred Loss on Land Sales $ 10.00
To write down that amount of latter account applicable to the payment of $25.00 made this day by Mr. John Clarton, as per above entry.

July 1, 1927

Cash $ 25.00
Land Under Sales Contracts, $ 25.00
(Account of John Clarton)
To record payment made this day on his Land Contract No. 101.

July 1, 1927

Realized Loss on Land Sales	$ 10.00	
Deferred Loss on Land Sales		$ 10.00

To write down that amount of latter account, applicable to the payment of $25.00 made this day by Mr. John Clarton, as per above entry.

Land Contracts usually bear interest, and such interest should be credited to account 16.6 Interest Received.

Recent income tax rulings require that if 25 per cent or more of contract sales price is paid as down payment, or if aggregate payments on any one contract within the taxable year in which sale was made equal 25 per cent or more, the *entire* profit or loss on the sale must be considered within the year and cannot be set up in a deferred profit or deferred loss account. Such procedure appears to be without sound accounting theory as it sets up a book profit or a book loss in the accounts of the seller, amounting in many cases to as much as 75 per cent of the unrealized profit or loss. However, when such rulings or similar laws exist, it is necessary to abide by them in order to avoid unnecessary reconciliations between books and income tax returns.

Many lumber manufacturing firms consider each year's cumulated lands sales as a unit, and apply the theory outlined herein to total sales within the year and not each individual contract separately. Deferred profit and deferred loss accounts are combined, and are entitled Deferred Profit and Loss on Land Sales. In case a contract is canceled, the amortization rate of the year in which such sale was made is not changed, but the remaining balance due on the canceled contract is adjusted through the total sales of the year in which the contract was canceled, and the amortization rate of that year is made to absorb the unpaid balance of the contract through a slight revision in the rate for that year.

Grouped sales procedure tends to reflect only approximate realization of profits and losses in subsequent years. Payments on certain contracts reflecting large profits individually may be made in a year when payments reflecting heavy losses are paid, in a larger proportion than is normally done. The application of general yearly average amortization will not provide a correct realized profit or loss entry to the deferred accounts and to income. It is best to compute the payments made on each contract separately, unless sales are so numerous as to make mathematical calculations extremely burdensome.

The following illustration shows the application of a general yearly

average amortization rate of deferred profits and losses on grouped land sales, covering one year's sales:

Purchaser	*Sales Price*	*Cost Price*	*Profit*	*Loss*
John Jones,	$ 200.00	$ 150.00	$ 50.00	
Wm. Brown,	150.00	100.00	50.00	
Alfred Jackson,	250.00	300.00		$50.00
Greene Land Co.,	2000.00	1550.00	450.00	
	$2600.00	$2100.00	$550.00	$50.00
Less Losses,			50.00	
	$2600.00	$2100.00	$500.00	

Finding of amortization rate:

$500.00 (total profit) divided by $2600.00 (total sales price) equals an average percentage of .192307.

On each payment made in subsequent years, whether made by Jones, Brown, Jackson or the Greene Land Company, .192307 per cent of such payment represents profit realized at the date of payment, and entry would be made to Deferred Profit and Loss on Land Sales and to Realized Profit on Land Sales on that basis.

3.3 *Prepaid Accounts*

This account should include the ledger amounts of all prepaid expense items, and should include prepaid advertising, rents, royalties, taxes, insurance, and all other items paid in advance of their term or accrual.

As the term is consumed, or as amounts accrue, this account should be credited, and the appropriate operating expense or burden cost controls debited, with the amounts applicable to the period. Such prepayments are usually considered as spread uniformly over the period to which they apply, and are written down at an average monthly, daily or similar basis. Where such prepayments are numerous, as in the case of insurance, a prepayment register should be maintained from which periodic amounts are charged off.

Separate subaccounts should be opened up on the books of the accounting company, whenever it is practical to do so.

3.4 *Inventory of Materials and Supplies*

This account should include the cost of all sundry materials and supplies on hand at the end of any accounting period, in which the accounting company has some beneficial interest. Cost should include transportation, insurance, etc., on such items to the place where they

are intended to be used or are placed at the time of inventory. All materials and supplies not charged out in the accounting company's accounts, regardless of whether the same are intended to be consumed in construction or to be sold, should be included in this account.

This account should be subdivided so far as practicable to show the different kinds of materials and supplies applying to the various operations. Such amounts as are credited to operating expense accounts or burden cost controls at the end of any accounting period, covering sundry inventories on hand, should be debited to this account until the succeeding period, when the entries will again be reversed.

This account should not include such items as come within the definition of account 3.1 Deferred Expense.

3.5 *Unamortized Debt Discount and Expense*

This account should include the debit balances representing the discount and expense in connection with the issuance of long-term obligations, in which the accounting company has some specific interest. Such discount and expense represents an adjustment of interest and should be amortized over the life of the debt issue.

By "discount" is meant to be the excess of the par value of the securities issued or assumed, and the accrued interest thereon, over and above the actual cash consideration received for such securities. Expense should include such items as fees for drafting deeds or mortgages, cost of legal services, commissions paid brokers and underwriters, fees paid trustees, and other like expenses.

This account should be subdivided to show separately the unamortized debt discount and expense applying to each issue of such indebtedness.

This account represents a deferred financial expense, and amounts so charged to this account should be amortized over the life of the obligation because of which this account was established. In each accounting period there should be charged to income a proportionate part of this account, based upon the ratio of such period to the remaining life of the issued securities, of each of the subaccounts hereunder. In case any such part of the debt discount and expense so written off applies to an asset for which the debt obligation was issued, such portion may often be charged to and made a part of the cost of the asset and not debited to income.

3.6 *Miscellaneous Deferred Assets*

This account should include the ledger value of all miscellaneous deferred assets in which the accounting company has some beneficial

interest, and which are not included under any of the foregoing accounts.

Separate subaccounts may be opened to cover such items as the management may deem to be of special interest.

4. Miscellaneous Assets

4.1 *Investments—Permanent*

This account should include the ledger value of the accounting company's investment in securities or negotiable papers, which are not readily convertible into money, or which bear a stipulated due date and fall due more than one year from date of acquisition or issue, whichever date is the earlier.

In case such investments are numerous, a subsidiary investment ledger should be kept to support this account. When holdings are few, however, it is more convenient and practical to carry such accounts in detail on the General Ledger.

Separate subaccounts may be opened for each class of permanent investment held or assumed, arranged in the following order:

4.11 Investments—Permanent—Stocks
4.12 Investments—Permanent—Bonds
4.13 Investments—Permanent—Notes
4.14 Investments—Permanent—All Other (Specify).

This account should not include investments in Special Funds or in securities pledged for the purpose of establishing a Sinking Fund. Investments in securities of affiliated companies should likewise not be entered in this account; they should be posted to account 4.3 Advances to Affiliated Companies.

Investments are properly divided into two classes, Temporary and Permanent, in order to place them in their proper position on the balance sheet.

4.2 *Stock Subscriptions*

This account should include all amounts owing to the accounting company by subscribers of the company's own capital stock.

Stock certificates should not be issued until fully paid. When full settlement is made, subscribers' accounts are credited and certificates issued in the proper name. Until such time as full payment has been effected, such subscribers' accounts are in the nature of accounts receivable and a subsidiary ledger is advantageously opened to support this account, and containing the individual accounts of said subscribers.

This account may be subdivided to show separately the subscribers

to each class of stock, viz.: Common, First Preferred, Second Preferred, etc.

At the time of debit to this account, credit should be made to account 9.13 Capital Stock Subscribed, covering the same class of stock. When the full amount of the subscription has been paid and certificates of stock are issued therefor, both accounts, Stock Subscriptions and Capital Stock Subscribed, are cleared, and Capital Stock Unissued is credited—thus increasing the amount of outstanding stock.

Illustration

Stock Subscriptions—1st Preferred,
(Open an account with the individual) $100.00
Capital Stock Subscribed—1st Preferred, $100.00
To charge the individual with one share of 1st Preferred Capital Stock, subscribed this day, at par value.

Cash, $ 50.00
Stock Subscriptions—1st Preferred,
(Account with the individual) $ 50.00
To record payment made by the individual this day, on subscription to 1st Preferred Stock—Subscription ticket No. .....

Cash, $ 50.00
Stock Subscriptions—1st Preferred,
(Account with the individual) $ 50.00
To record payment made by the individual this day on subscription to 1st Preferred Stock—Subscription ticket No. .....

Capital Stock Subscribed—1st Preferred, $100.00
Capital Stock Unissued—1st Preferred, $100.00
Final payment on the individual's subscription being made this day, Certificate No. .... has been issued in his name, as of this date. Page .... of the Capital Stock Register.

4.3 *Advances to Affiliated Companies*

This account should include the ledger value of the accounting company's investment in, or advances to, affiliated companies covered by securities, notes or open accounts which are not subject to current settlement.

Accounts with affiliated companies which are subject to current settlement should be classed as current assets or current liabilities, and carried in Accounts Receivable or Accounts Payable, as may be appropriate.

Two companies are usually deemed to be affiliated if either one controls the policy of the other, or if both come under the same control.

This account should be subdivided, as follows:

4.31 Advances to Affiliated Companies—Stocks
4.32 Advances to Affiliated Companies—Bonds
4.33 Advances to Affiliated Companies—Notes
4.34 Advances to Affiliated Companies—Open Accounts
4.35 Advances to Affiliated Companies—All Other (Specify).

4.4 *Land Under Sales Contracts*

This account should include the ledger value of all lands sold under sales contracts, in which the accounting company has some beneficial interest.

To this account should be charged, at the time of sale of such lands, the sales price of the land, with credit to account 2.1 Lands for the cost of such land sold, and a debit or credit, as may be appropriate, to Deferred Loss on Land Sales or Deferred Profit on Land Sales, accounts 3.2 and 7.1, respectively. As payments become due and are made, credit this account and debit Cash, or other suitable account, followed by debit or credit, as the case may demand, to the deferred profit or deferred loss account for the amount of such profit or loss realized in the amount so paid.

For further information regarding entries relating to sales of land under contracts, refer to the text pertaining to accounts 2.1, 3.2 and 7.1.

This account should be subdivided so far as practicable to permit the segregation of contracts and lands applying to the various tracts owned by the accounting company. A subsidiary ledger should be maintained, wherein the individual accounts covering such sales are kept and to which payments are credited. Such a ledger should be controlled and remain in balance with this account.

4.5 *Good Will, Patents, Trade-Marks*

This account should include the debit balances described under the following subheads:

4.51 Good Will

This account should include the ledger value of all good will in which the accounting company has some beneficial interest. Ordinarily good will appears on the books of a firm as the result of purchase, although there are many other methods by which it is brought about. Frequently it is set up at a time of reorganization, stock being issued

in excess of the value of physical assets and the difference debited to Good Will.

Good will is an intangible asset which should be acquired and not arbitrarily set up by book entry. Many firms allow it to remain on the books unchanged. Of late years, however, there has been a tendency to reduce good will by periodic charges to income or surplus.

4.52 Patents

This account should include the ledger value of all patents in which the accounting company has some beneficial interest. Original value should be cost, and whether secured, purchased or increased by developmental expenditures, such set up should be written down over the remaining life of the patent.

Amounts so credited to this account may be charged into the operating expenses effecting the products manufactured and coming under the protection of such patents, or such charges may be made directly to Profit and Loss. However, it would seem advisable to include such charges in the production expenses.

4.53 Trade-marks

This account should include the ledger value of all trade-marks in which the accounting company has some beneficial interest.

The life of a trade-mark is 30 years and may be renewed for an equal period. Original value should be cost, but unless purchased from former owner the cost is usually nominal. It should be written down over the remaining life of the trade-mark, with a charge usually made to the operating expenses covering the products coming under such trade design.

If copyrights are secured or purchased, their cost should be included in another subaccount hereunder. Cost of copyrights should be amortized rapidly, as usually their value has completely diminished long before the term of copyright has expired.

4.6 *Funds*

This account should include the amount of cash and the ledger value of securities and other assets specifically set aside or invested for the purpose of establishing funds.

A separate subaccount should be opened up on the books of the accounting company covering each fund in which it has some beneficial interest. The title of each fund should designate the purpose for which the fund was created, and each account should be correctly subnumbered hereunder.

Funds are usually established to provide for the redemption of bonds

or other outstanding obligations, and for insurance, employees' pensions, savings, hospital, welfare, and replacement of assets. This account should include the amounts deposited with trustees in fulfillment of the provisions of the deed of trust, creation of a sinking fund, or other similar arrangements. Funds usually appear on the asset side of the balance sheet, though in the case of sinking funds they are deducted from the liability which they are being created to redeem.

Sinking funds should be further subdivided to show the amounts carried in cash, apart from such amounts as are carried in the form of securities; there are times when this is unnecessary.

4.7 *Miscellaneous Assets*

This account should include the ledger value of all miscellaneous assets in which the accounting company has some beneficial interest and which are not included under any of the foregoing accounts.

Separate subaccounts may be opened to cover such items as it is deemed advisable to show separately.

LIABILITIES (Fig. 2)

5. Current Liabilities

5.1 *Accounts Payable—Trade*

This account should include all amounts owed by the accounting company upon open book accounts with trade creditors, as shown by the supporting Accounts Payable Ledgers.

If no Accounts Payable Ledgers are maintained, then this account should be used only at the end of an accounting period, and, to it, all audited vouchers which have not been paid should be credited, with a corresponding debit to the appropriate account requiring such charge. Such procedure provides a means of placing all charges pertaining to an accounting period, in their proper period, regardless of the fact that such items may not have been paid within such period.

The record of accounts payable should be kept in a manner to permit the segregation of accounts with respect to due date, suitable to the requirements of the management. Debit balances in this account should be included among the proper Accounts Receivable account.

5.2 *Accounts Payable—Sundry*

This account should include all amounts owed by the accounting company upon open book accounts with individuals or concerns, other than trade creditors, as shown by the supporting Accounts Payable Ledgers.

If no Accounts Payable Ledgers are maintained, then this account

should be used only at the end of an accounting period, and, to it, all audited vouchers which have not been paid should be credited, with a corresponding debit to the appropriate account requiring such charge. Such procedure provides a means of placing all charges pertaining to an accounting period, in their proper period, regardless of the fact that such items may not have been paid within such period.

The record of accounts payable should be kept in a manner to permit the segregation of accounts with respect to due date, suitable to the requirements of the management. Debit balances in this account should be included among the proper Accounts Receivable account.

Accounts Payable should not include negotiable papers.

5.3 *Notes Payable—Trade*

This account should include the ledger value of all notes on which the accounting company is liable in full or in part to trade creditors. If notes are payable more than one year from date of issue, they may be included in this account, but should be shown separately on the balance sheet, or included under account 6.5 Miscellaneous Fixed Liabilities.

This account may be subdivided to show trade acceptances, drafts, or other similar evidences of indebtedness separately, but, unless numerous, such papers are usually included under one caption.

This account does not include notes or similar papers coming within the definition of account 8.1 Advances from Affiliated Companies.

5.4 *Notes Payable—Sundry*

This account should include the ledger value of all notes on which the accounting company is liable in full or in part to individuals or concerns, other than trade creditors. If notes are payable more than one year from date of issue, they may be included in this account, but should be shown separately on the balance sheet, or included under account 6.5 Miscellaneous Fixed Liabilities.

This account may be subdivided to show trade acceptances, drafts, or other similar evidences of indebtedness separately, but, unless numerous, such papers are usually included under one caption.

This account does not include notes or similar papers issued for loans of money, or coming within the definition of account 8.1 Advances from Affiliated Companies.

5.5 *Notes Payable—For Money*

This account should include the ledger value of all notes on which the accounting company is liable in full or in part to banks, trust companies, firms or individuals for loans of money, when such evi-

dences of indebtedness are due or payable on demand within a time not to exceed one year from date of issue. Secured notes and time loans, payable more than one year from date of issue, should be included in account 6.5 Miscellaneous Fixed Liabilities.

This account does not include notes or other similar papers issued for loans of money from affiliated companies, as such items come within the definition of account 8.1 Advances from Affiliated Companies.

5.6 *Dividends Declared*

This account should include amounts declared payable as dividends out of surplus, on actually outstanding capital stock issued or assumed by the accounting company, whether payable in cash or some other consideration.

This account should be subdivided to show separately the dividends applying to the various classes of capital stock, and the consideration of payment should be fully described. Specific date of such declaration should be given, and each dividend declaration applying to each class of stock should bear a consecutive dividend number, as, Dividend Number 15, with sufficient particularity to identify it.

When dividends are paid, they should be charged to this account and credited to Cash or other suitable account.

5.7 *Matured Accruals Unpaid*

This account should include the amounts of all matured accruals which have not been paid, in which the accounting company has some specific interest.

When such items as rents, royalties, taxes, and insurance have accrued for an entire period, and, at the end of such period, settlement has not been made by the accounting company, such matured items should be credited to this account and charged to the Accrued Liability account in which such accrual has been made.

Accrued liabilities are those not yet due, but which grow from day to day and are to become due in the near future. Matured accruals unpaid, as defined by this account, are those accrued liabilities which are past due, but on which settlement has as yet not been brought about.

This account may be divided to show the various kinds of unpaid accruals separately, and each subaccount should be properly subnumbered.

5.8 *Accrued Liabilities*

This account should include the ledger amounts of all accrued liabilities in which the accounting company is specifically interested.

Accrued liabilities are those not yet due, but which grow from day to day and are to become due in the near future. Credits to this account are necessarily based upon estimate, but from time to time, as the actual rates or amounts become known, the amount of such periodic credits should be adjusted, so as to include as nearly as possible, at the end of the accounting period, the actual accrued liabilities applicable thereto.

During the beginning of the succeeding period, if such accruals are due for payment and settlement has not been made by the accounting company within a reasonable time, this account should be charged with such matured accrual and credit made to account 5.7 Matured Accruals Unpaid.

This account may be subdivided to show separately the various kinds of accruals, appearing in the following order:

5.81 Accrued Liabilities—Rents
5.82 Accrued Liabilities—Royalties
5.83 Accrued Liabilities—Taxes
5.84 Accrued Liabilities—Insurance
5.85 Accrued Liabilities—All Other (Specify).

5.9 *Miscellaneous Current Liabilities*

This account should include the ledger accounts of all miscellaneous current liabilities, in which the accounting company has some specific interest and which are not included under any of the foregoing accounts.

Separate subaccounts may be opened hereunder to suit the requirements of each particular firm.

6. Fixed Liabilites

6.1 *Bonds*

This account should include the total par value of all bonds, authorized, unissued, issued, assumed, and the like, of the accounting company:

6.11 Bonds—Authorized

This account should be credited with the total authorized bond issue; debit being made to account 6.12 Bonds—Unissued.

6.12 Bonds—Unissued

This account should be debited with the total authorized bond issue, at the same time credit is made to account Bonds—Authorized.

By this method Bonds—Unissued, account 6.12, is credited as bonds are issued and sold, and Cash or other appropriate account is charged. If it is not desired to show bonds authorized on the books of the accounting company and in financial statements as a separate account, an account Bonds—Issued may be opened, to which may be credited bonds actually issued. However, it must be remembered that by such procedure the true amount of bonded indebtedness is not shown on the accounting company's books, or on statements, unless the total authorized issue has been actually sold. Some states require that the total authorized bond issue be shown on all statements; likewise all unissued and issued bonds must be shown. The laws of each particular state in which the company is incorporated and operating should be consulted with regard to all such bond issues.

Nominally issued bonds are those which have been certified by trustees and placed with proper officers for sale and delivery, or placed in some special fund of the accounting company. When bonds are issued to a bona fide holder, they are termed "actually issued."

Bonds are often sold on installments, and in such instances entries should be made upon the books of the accounting company in the same manner outlined for Capital Stock Subscriptions and Capital Stock Subscribed. As in the case of stock, bonds should not be issued until fully paid.

Ordinarily bond interest is payable from date of the bond issue. As interest becomes due, it should be charged to the appropriate subaccount under 16.2 Interest Paid. Discount and expense, or premium on bond issues, are charged or credited as the case may be, to account 3.5 Unamortized Debt Discount and Expense or account 7.2 Unamortized Premium on Debt—as outlined under text applying to those accounts.

All bond accounts should be so kept that the different classes of obligations may be shown separately, and the title of each ledger account should express the characteristics which will identify each issue, as to method of security or lien, due date, and interest rate. The most important classification is that based upon the nature of the security.

Mortgage Bonds are those secured by a lien on physical property. First Mortgage being superior to Second Mortgage, Third Mortgage etc. which apply to the same property.

Income or Debenture Bonds are those having a lien upon the

net income of the accounting company for its interest payments, and unless profits are earned, it has no further claim upon the company for interest. Their principal, however, is an absolute obligation of the issuing company.

Collateral Trust Bonds are those secured by collateral, usually securities owned by the accounting company of other corporations and held by Trustee.

Equipment Trust Bonds are those secured by a lien upon specific equipment of the accounting company, and are often used in the purchase of equipment, the money realized from the sale of these bonds going to the vendors of the equipment.

Bond issues are usually redeemed through the establishment of a sinking fund, which is provided for in the deed of trust covering the proposed issue. Such funds are covered herein by account 4.6.

6.5 *Miscellaneous Fixed Liabilities*

This account should include the par value of all fixed liabilities other than bonds, and may include mortgages, long-term notes, receiver's certificates, etc.

Subdivision of this account should be made to show each miscellaneous liability separately, with the proper description in the ledger account title to identify the obligation.

This account should not include any fixed liability coming within the definition of Advances from Affiliated Companies, as that is covered by account 8.1.

This account completes the group of accounts covering "Fixed Liabilities."

7. Deferred Liabilities

7.1 *Deferred Profit on Land Sales*

This account should include the ledger balances of all deferred profits on land sales contracts in which the accounting company has some beneficial interest.

When land is sold under a sales contract, full payment not being made at the time of sale, the amount of any profit arising from such sale should be credited to this account. Account 2.1 Lands should be credited at the time of sale with the cost to the accounting company of such land sold, and account 4.4 Lands Under Sales Contracts should be debited for the sales price of such land. The total amount of profit on the sale should be credited to this account to balance the entry.

As payments become due and settlement is made, credit Land Under

Sales Contract and debit Cash, or other appropriate account, followed by debit to this account for the amount of the profit realized in the amount so paid, based upon the ratio of total profit on the sale to total sales price, with an offsetting credit to Profit and Loss, sub-account 10.23 Realized Profit on Land Sales.

Entries recording the amortization of deferred profit are entirely apart from the entries of payment, and are usually made as shown in the following illustration:

Example: The N.E.¼ of the N.E.¼ of Sec. 6, Township 33, Range 16, of Tract No. 3, sold to Bruce Land Co. for $150.00. The cost of this land, as shown by the books of the accounting company, is $100.00. Sale is made under a land contract dated May 1, 1927, with an initial payment of $25.00. On July 1, 1927, another payment of $25.00 was made, the remainder of the contract to be paid any time within three years from date of contract. Show the entries recording sale and payments, on the books of the accounting company.

Entries:

May 1, 1927

Land Under Sales Contracts, $150.00
(Open an account with Bruce Land Co.)
Lands, $100.00
Deferred Profit on Land Sales, $50.00
To set up the sale of the N. E. ¼ of the N. E. ¼ Sec. 6, T. 33, R. 16, of Tract No. 3, sold this day to the Bruce Land Co., Newton, Oregon, under Land Contract No. 66.

May 1, 1927

Cash, $ 25.00
Land Under Sales Contracts, $ 25.00
(Account of Bruce Land Co.)
To record payment made this day to bind contract with Bruce Land Co. on the purchase of the N. E. ¼ of the N. E. ¼ Sec. 6, T. 33, R. 16, of Tract No. 3, per Land Contract No. 66.

May 1, 1927

Deferred Profit on Land Sales, $ 8.33
Realized Profit on Land Sales, $ 8.33
To write down that amount of the former account applicable to the payment of $25.00 made this day by the Bruce Land Co., as per above entry.

July 1, 1927

Cash,	$25.00	
Land Under Sales Contracts, (Account of Bruce Land Co.)		$25.00

To record payment made this day on their Land Contract No. 66.

July 1, 1927

Deferred Profit on Land Sales,	$ 8.33	
Realized Profit on Land Sales,		$ 8.33

To write down that amount of the former account, applicable to the payment of $25.00 made this day by the Bruce Land Co. as per above entry.

Land Contracts usually bear interest, and such interest should be credited to account 16.6 Interest Received.

Recent income tax rulings require that if 25 per cent or more of contract sales price is paid as down payment, or if aggregate payments on any one contract within the taxable year in which sale was made equal 25 per cent or more, the *entire* profit or loss on the sale must be considered within the year and cannot be set up in a deferred profit or deferred loss account. Such procedure appears to be without sound accounting theory as it sets up a book profit or a book loss in the accounts of the seller, amounting in many cases to as much as 75 per cent of the unrealized profit or loss. However, when such rulings or similar laws exist, it is necessary to abide by them in order to avoid unnecessary reconciliations between books and income tax returns.

Many lumber manufacturing firms consider each year's cumulated land sales as a unit and apply the theory outlined herein to total sales within the year, and not each individual contract separately. Deferred profit and deferred loss accounts are combined, and are entitled Deferred Profit and Loss on Land Sales. In case a contract is canceled, the amortization rate of the year in which such sale was made is not changed, but the remaining balance due on the canceled contract is adjusted through the total sales of the year in which the contract was canceled, and the amortization rate of that year is made to absorb the unpaid balance of the contract through a slight revision in the rate for that year and subsequent years.

Grouped sales procedure tends to reflect only approximate realization of profits and losses in subsequent years. Payments on certain contracts reflecting large profits individually may be made in a year when payments reflecting heavy losses are paid, in a larger proportion than

is normally done. The application of general yearly average amortization will not provide a correct realized profit or loss entry to the deferred accounts and to income. It is best to compute the payments made on each contract separately, unless sales are so numerous as to make mathematical calculations extremely burdensome.

The following illustration shows the application of a general yearly average amortization rate of deferred profits and losses on grouped land sales, covering one year's sales:

Purchaser	*Sales Price*	*Cost Price*	*Profit*	*Loss*
Alex Johnson,	$ 300.00	$ 250.00	$ 50.00	
General Land Co.,	1000.00	1100.00		$100.00
Harry Oleson,	500.00	400.00	100.00	
Fisher & Jones,	1500.00	1200.00	300.00	
	$3300.00	$2950.00	$450.00	$100.00
Less Losses,			100.00	
	$3300.00	$2950.00	$350.00	

Finding of amortization rate:

$350.00 (total profit) divided by $3300.00 (total sales price) equals an average percentage of .10606.

On each payment made in subsequent years, whether made by Johnson, the General Land Company, Oleson, or Fisher & Jones, .10606 per cent of such payment, represents profit realized at the date of payment, and entry would be made to Deferred Profit and Loss on Land Sales and to Realized Profit and Loss on Land Sales, on that basis.

7.2 Unamortized Premium on Debit

This account should include the credit balances representing the premium allowed or paid, in connection with the issuance of long-term obligations, in which the accounting company has some specific interest. Such premium represents an adjustment of interest, and should therefore be amortized over the life of the debt issue.

When long-term debt securities are issued for a consideration whose cash value (exclusive of accrued interest) is greater than par value of such securities, the excess of such cash value of the consideration received over the par value of the securities is termed Premium, and should be credited to this account.

This account should be subdivided to show separately the unamortized premium applying to each issue of such indebtedness.

This account represents a deferred financial expense credit, and amounts so credited to this account should be amortized, or written down, over the life of the obligation to which this account owes its existence. In each accounting period there should be credited to the proper financial expense account, under account 16. Financial, a proportionate part of this account, based upon the ratio of such period to the remaining life of the issued securities of each of the subaccounts hereunder. In case any such part of the premium so written off applies to an asset for which the debt obligation was issued, such portion may be credited to, and made a part of, the credit to cost of the asset, and not credited to financial expense.

7.3 *Miscellaneous Deferred Liabilities*

This account should include the ledger amounts of all miscellaneous deferred liabilities, in which the accounting company is specifically interested and which cannot be included under any of the foregoing accounts.

Separate subaccounts may be opened to cover such items as it is deemed advisable to show separately.

8. Miscellaneous Liabilities

8.1 *Advances from Affiliated Companies*

This account should include the ledger value of the accounting company's indebtedness to, or advances from, affiliated companies, covered by securities, notes or open accounts which are not subject to current settlement.

Accounts with affiliated companies, which are subject to current settlement, should be classed as current liabilities, or current assets, and carried in accounts, Accounts Payable or Accounts Receivable, as may be appropriate.

Two companies are usually deemed to be affiliated if either controls the policy of the other or if both come under the same control.

This account should be subdivided, as follows:

8.11 Advances from Affiliated Companies—Stocks
8.12 Advances from Affiliated Companies—Bonds
8.13 Advances from Affiliated Companies—Notes
8.14 Advances from Affiliated Companies—Open accounts
8.15 Advances from Affiliated Companies—All Other (Specify).

8.2 *Miscellaneous Liabilities*

This account should include the ledger amounts of all miscellaneous liabilities in which the accounting company has some specific interest and which are not included under any other liability account.

Separate subaccounts may be opened to cover such items as it is deemed advisable to show separately.

This account completes the group of accounts covering "Miscellaneous Liabilities" and also completes actual liability accounts. The following group make up the Capital and Net Worth of the corporation.

9. Capital and Surplus

9.1 *Capital Stock—Authorized*

This account should include the total par value of capital stock authorized by the charter. At the time of credit to this account, debit should be made to account 9.11 Capital Stock—Unissued. If stock is issued at no-par value, credit is usually made to Capital Stock account (Not Capital Stock—Authorized), at the sales price of such stock when sold. However, some firms prefer placing a nominal or declared value on such stock and making entries accordingly, but such procedure is seldom favored. The most widely used plan is to record entries upon actual sales price on all no-par stock.

When no-par stock is authorized, the balance sheet should show, either in the body or as a footnote, the total number of shares each, authorized, issued, and outstanding. Certificates of stock of no-par value indicate the undivided interest of the holder in the net worth of the business, according to the number of shares held, without respect to price paid, although some states require that no-par stock be given a stated value.

Separate ledger accounts should be opened for each class of stock authorized, and no two stocks shall be considered of the same class unless they are equal in their par value, dividend rights, voting rights, conditions under which they may be retired, etc.

Classifications are based upon the nature of the issues.

Common Stock is stock which has no preference in the distribution of dividends. It may further be divided as to par or no-par value, or be subject to other conditions.

Preferred Stock is stock having a preference in the distribution of dividends. This also, may be divided into stock of par or no-par value, or as First Preferred, Second Preferred, etc. or as Cumulative or Non-cumulative, Participating or Non-participating. First Preferred

would have preference over Second Preferred with respect to claim upon dividends and Second Preferred would have prior claim on dividends over succeeding issues and so on. No-par Preferred is usually given a declared value.

Stock may be sold above or below par in some states, thus creating a discount or premium on Capital Stock, which is eventually closed into Surplus.

A Capital Stock Ledger should be maintained whenever individual stockholders' accounts are numerous, and such ledger should serve as a subsidiary, supporting record to the balance between this account and 9.11 Capital Stock—Unissued.

9.11 Capital Stock—Unissued.

This account should include the total par value of capital stock unissued, as authorized by the charter of the accounting company. At the time of debit to this account, credit should be made to the foregoing account, 9.1 Capital Stock—Authorized.

This account should be subdivided to show each class of stock separately, to correspond with the entries in account 9.1 Capital Stock —Authorized.

As certificates are issued, credit should be made to this account, and debit to cash or other appropriate account. The debit balance of this account, subtracted from the credit balance of the foregoing account, represents the amount of outstanding capital stock, and such amount should agree with the total of the subsidiary ledger holding the accounts of the individual stockholders.

This account should be grouped on the balance sheet with Treasury Stock, and subtracted from Capital Stock—Authorized. The net balance carried into a column, allowing for addition of Capital Stock—Subscribed.

9.12 Capital Stock—Treasury

This account should include all capital stock of the accounting company, which has been lawfully issued or assumed by it and has been reacquired by purchase or donation.

This account is usually charged at cost price for securities repurchased, and at market value, or par value, for stock which has been donated. Such entries are carried in this account until the stock is again disposed of, at which time the difference between the sales price and the amount at which such certificate was charged to this account is debited or credited, as the case may be, to Capital Surplus.

This account should be subdivided to cover separately each class of

stock held in the treasury of the accounting company, and such subdivision should be governed by the same rules applying to the classification regulating the division of Capital Stock—Authorized.

The term "treasury stock" is often erroneously applied to unissued stock, and of course is in such a case entirely incorrect. Treasury Stock and Unissued Stock are two separate and distinct accounts, if for no other reason than the difference in liability placed upon the stockholder purchasing treasury or unissued stock, in case the corporation goes into insolvency.

This account, though an asset, is best shown on the balance sheet, added to Unissued Stock and deducted from Capital Stock—Authorized. It is often shown as a deduction from Capital Stock accounts, after Surplus has been added to capital, viz.:

Capital Stock—Authorized (1,000 shares @ $100),	$100,000.00
Less: Unissued (250 shares @ $100),	25,000.00
	$ 75,000.00
Plus: Surplus,	50,000.00
	125,000.00
Less: Capital Stock—Treasury, (100 shares @ $100)	10,000.00
Capital and Surplus—Net,	$115,000.00

9.13 Capital Stock—Subscribed

This account should include the total par value of all capital stock subscribed.

Stock certificates should not be issued until fully paid. When stock has been subscribed, credit should be made to this account for the par value of such subscription, debit being made to account 4.2 Stock Subscriptions, with an entry in the subscribers' ledger to the individual account. When capital stock of no-par value is subscribed, the rules applying to the entries of such stock in the Capital Stock—Authorized account or Capital Stock—Unissued account should be followed for entries in this account with regard to value. When the full amount of the subscription has been paid, and certificates of stock are issued therefor, both accounts, Capital Stock—Subscriptions and Capital Stock—Subscribed, are cleared for such amount, and Capital Stock—Unissued is credited, thus increasing the amount of outstanding stock. Refer to text data at account 4.2 for illustrated entries.

This account should be subdivided to show each class of stock separately, in accordance with the divisions appearing in other Capital Stock accounts.

9.6 *Surplus*

This account should include all surplus and undivided profits of the accounting company.

Surplus in its common sense is made up of undivided profits from normal operations of the business, although it is often derived from many other sources. Banks usually make a distinction between surplus and undivided profits. Each year they transfer a given amount of net profit to Surplus, to provide working capital and financial strength, while the remainder, after dividends have been paid, is carried to Undivided Profits account. Corporations as a rule make no such distinction. They divide their surplus as Earned, Capital, and Appreciated.

This account should be subdivided to show each division of surplus separately, and the account title should clearly define the merits of each.

Earned Surplus—To this division should be carried the net profits and net losses of the business derived from ordinary operations. Debits or credits affecting the profits or losses of previous fiscal periods should be made to this account, unless such items are minor adjustments and can be made to current Profit and Loss. Dividends are usually declared from this account, debit being made to this account and credit to 5.6 Dividends Declared.

Capital Surplus—To this division should be carried the net profits and net losses of the business derived from unordinary operations.

Appreciated Surplus—A revaluation of an asset, with a new value greater than book value, reflects a profit by appreciation, and such increased value should be carried to this division.

A policy followed by many accountants in dealing with appreciation after March 1, 1913, is to create a separate Surplus—Appreciation account for each item of property so revalued, reducing such appreciation during the remaining years of life of the asset to which "write-up" it owes its existence. Such amortization is brought about by periodic charges at the time depreciation entries are made.

The following illustration shows the method used to write down the appreciation of a building, revalued at some period later than March 1, 1913.

B Company owns a building, which cost $100,000.00, and which has an estimated life of 20 years. At the end of 10 years (book value

of building is now $50,000), the building is appraised at $75,000.00, thus increasing the book value, $25,000.00.

Building,	$25,000.00	
Surplus—Appreciation,		$25,000.00

(Give description of building as part of account title.)

During the remaining 10 years of the building's life, $50,000.00 (the undepreciated balance of the original investment) shall be charged to income, and $25,000.00 (amount of appreciation) to Surplus—Appreciation, or annual charges as set forth herewith:

Depreciation Expense,	$ 5,000.00	
Surplus—Appreciation,	2,500.00	
Reserve for Depreciation,		$ 7,500.00

By this method, the building is carried on the books at the true, appraised value. The income account does not have to bear the burden of the "write-up." The depreciation charges to departmental cost accounts remain the same as though no revaluation had taken place, and Surplus—Appreciation is written down and not used for dividend distribution, until profits are realized through income and find their way into Surplus—Earned account.

This method varies, however, with regard to appreciation of lands and timber, plants and properties, as of March 1, 1913, and at other dates in various states, regarding income for income tax purposes. This method would not be applied on any property held prior to the beginning of the income tax laws governing the operations of the accounting company in question.

Capital Stock added to Surplus and surplus reserves represents the net worth of a business. Surplus is always shown on the liability side of the balance sheet, and is usually added to the Capital Stock accounts. However, when the enterprise has been operating at a loss, Surplus reflects a debit balance, in which case it is deducted from the Capital Stock accounts, and the business shows a decrease in capital.

9.9 *Reserves*

Under this heading should be included all the reserves set forth under the following subaccounts:

9.91 Reserve for Contingencies

This account should include all amounts reserved to meet obligations which may, under certain conditions, become a liability to the accounting company, but are not established at the date of the balance sheet.

This account, representing a surplus reserve, should be so shown

on the balance sheet, and included in making up Net Worth. Separate subaccounts should be opened on the books for each contingent reserve so established, and the account title should indicate for what purpose it has been set up.

9.92 Reserve for Insurance

This account should include all amounts reserved for insurance, which may include workmen's compensation, public liability, fire, tornado, boiler, and any other insurance.

This account represents a surplus reserve, and should be so shown on the balance sheet.

Credits are usually made to this account, on the basis of prevailing insurance rates available to the accounting company, with charges to income, property, or other suitable account. Credits are often made to this account from appropriations from Surplus. Debits are made to this account for actual losses sustained, and any adjustments or claims not settled at the end of the accounting period should be set up on fair estimate and charged to this account, though such charges may not be deductible as losses in income tax returns until actually sustained and true amounts known. Likewise, offsetting debits to income, at the time of credit to this account, cannot as a rule be deducted as expense on income tax returns, though such adjustments are usually provided for on tax return blanks.

Separate subaccounts should be kept for each reserve so established, and the purpose of the reserve should be plainly designated in the account title.

9.93 Reserve for Expansion

This account should include all amounts that are set aside for contemplated expansion of the business; such credits usually being made from Surplus. This account represents a surplus reserve and should be so designated on the balance sheet.

This account may be subdivided to keep separate the reserves for various expansion projects, when it is desired to make such division.

When the expansion for which this reserve was created has been completed, or if such proposed expansion has been discontinued, the balance remaining herein, if any, should be cleared into Surplus.

9.94 Reserves—All Other (Specify)

This account should include all other surplus reserves which cannot be included under any of the foregoing accounts.

Account titles should clearly define for what purpose such reserves

are established, and all surplus reserves should be so designated on the balance sheet and on all financial statements.

9.95 Reserve for Freight

This account should include all amounts of freight or other transportation charges on outbound shipments of products which have not been credited to customers' accounts at the date of the balance sheet. Such amounts will be deducted by the customers when making settlement of the accounts. While such items are not actually held in reserve, it is best to treat them under this account as such.

However, the Treasury Department makes the following statement, with respect to the establishment or maintaining of such a reserve: "The ruling has always been that no reserve for out-bound freight may be used as a deduction. The freight is deductible when the account of the customer is credited." Refer, IT:1351 C. B., June, 1922, p. 132; also the appeal of the J. S. Hoskins Lumber Company, 3 B.T.A., p. 846; and the Jackson Casket & Manufacturing Company, 7 B.T.A., p. 1190.

From the above it would appear to be better policy to abide by the ruling of the Treasury Department, at least until a revision has been made. However, if the accounting company desires to maintain such a reserve, it should be made up as nearly as possible to exact outstanding freight bills due from each customer, and supporting papers should show car numbers, or shipping reference, name of customer, and amounts which are to be deducted by each.

This account should be shown on the balance sheet as a deduction from current receivables to which same apply.

9.96 Reserve for Discounts

When it is the policy of the accounting company to "set up" amounts for anticipated discounts deductible by customers upon invoices remaining unpaid at the date of the balance sheet, such amounts should be included in this account.

While amounts of this nature are not true reserves, it is best to include them hereunder. When credit is made to this account, debit is concurrently made to account 16.1 Discounts Allowed.

The income tax laws of the various states and of the federal government should be the deciding factor in the establishment of an account of this kind, to avoid unnecessary reconciliations of books and returns at the close of the year. The Treasury Department has held that there can be no accrual of estimated cash discounts upon unpaid invoices, but that such discounts must be charged in the year in which

they are allowed, unless the taxpayer has consistently credited his sales net with cash discounts deducted, in which case any cash discounts later collected must be credited to income.

This account should be shown on the balance sheet as a deduction from current receivables to which it applies.

9.97 Reserve for Bad Debts

When it is desired by the accounting company to establish a reserve for possible losses through bad accounts, the amounts so reserved should be credited to this account; debits being made hereto covering losses actually sustained. If the credit balance of this account is not of sufficient size to cover such charges, the remainder may be debited against current Profit and Loss.

The federal and state income tax laws should be the deciding factors in the setting up of an account of this nature, to avoid unnecessary reconciliations of books and income tax returns. The federal law has held that such a reserve, established upon a basis of actual losses is permissible and deductible from income. Nevertheless, latest rulings should be consulted.

It appears to be better practice not to create a reserve of this kind, but debit losses actually sustained in the period directly to current Profit and Loss.

This account is usually shown on the balance sheet as a deduction from current receivables for which benefit it was established.

9.98 Reserve for Depreciation

To this account should be credited such amounts as are charged to operating expense or surplus to cover the depreciation of property.

In order to allow the ledger account of such property (with the exception of timber) to remain on the books at original cost or appraised value, it is customary to credit this account with all depreciation instead of writing down the asset account itself. Such a method is far more satisfactory, since it shows at any time the book accounts of property at original entry and maintains a more uniform method of accounting.

Depreciation reserves are not surplus reserves, but should be shown on the balance sheet as a deduction from the property accounts.

This account should be subdivided to provide a separate reserve for each ledger account of property carried on the books of the accounting company. Account titles covering such reserves should define clearly to which assets they belong, and the total balances included hereunder should agree with the total balances of the depreciation entries in the

plant or property ledgers supporting the fixed asset accounts on the general ledger.

When any property is sold, lost or retired from service, the original cost thereof (estimated if not known) should be credited to the proper fixed asset account and charged, plus cost of dismantling, less salvage, to this account, *provided* the reserve so set up in this account for the specific property is of sufficient amount to cover the charge. Any difference in such charge should be debited or credited, as the case may be, to Profit and Loss. Depreciation reserves established for specific items of property should not be used to offset profits or losses, on any other items of property sold, lost or retired from service.

Example: X Company retires a 100-h.p. motor from service from their Saw Mill Machinery, as same is worn out. The original cost was $200.00. Depreciation reserve established shows a credit balance of $150.00. Cost of removal was $10.00, and salvage was $15.00.

Entries:

Depreciation Reserve,		
Saw Mill Machinery,	$150.00	
Profit and Loss,	50.00	
Saw Mill Machinery,		$200.00
To record the retirement of the motor.		

Profit and Loss,	$ 10.00	
Cash,	15.00	
Profit and Loss,		$ 15.00
Cash,		10.00
To record removal and salvage of motor.		

Entries would now be made on the plant ledger sheet covering Saw Mill Machinery, showing disposition of the motor and closing out that item of property.

CHAPTER III

THE PROFIT AND LOSS ACCOUNT

The Profit and Loss Account as defined in this text, should form the connecting link between the operating accounts and the balance sheet. Its principal functions are to record profits and losses at the close of a given fiscal period, arising out of the normal operations of the business, and to afford an intermediate account in closing out the undistributed and miscellaneous expense accounts.

The Bureau of Commerical and Industrial Affairs of the Boston Chamber of Commerce, in its publication on Balance Sheets and Profit and Loss Statements, defines the latter in the following manner: "The Statement of Profit and Loss shows the amount and nature of the business income and the various costs and expenses incurred to produce the business income. While the Balance Sheet shows the condition of the business at a given date or point of time, the Profit and Loss Statement shows the condensed business record over the duration of a number of months or a year, the time between the balance sheets. The net result of the transactions recorded on the Profit and Loss Statement is a credit to or charge against Net Worth, which on the Balance Sheet is the sum of the capital stock outstanding, the accumulated profit and the surplus. These two basic executive reports, therefore, are complementary to each other and of most value when studied together."

The Profit and Loss Account should be subdivided to fulfill the requirements of each particular enterprise, preferably into two account divisions. The first, and of greatest value, should cover the net results of the operations for which such firm was organized. The other subdivision should include the net profits and net losses from all miscellaneous operations or departments.

In the preparation of reports and financial statements, it is customary to include undistributed and miscellaneous expenses in the Profit and Loss schedule, as shown in Figure 3.

It would be impractical and not within good accounting theory to distribute such expenses as are classified as Administrative, Selling, Land Department, Extraordinary, Financial, and the like, to different

departments of manufacture as elements of cost. Administrative and Selling Expenses are, nevertheless, often prorated to departments or products, or shown as deductions from sales, on the basis of gross sales, but this appears to be without any fair degree of accuracy and is not favored for the lumber industry. Income and Capital Stock Taxes, and taxes of similar nature, are usually a direct charge to Profit and Loss. Taxes on Unproductive Lands and Standing Timber likewise are a direct debit to Profit and Loss, except in cases where taxes apply to certain tracts of lands or timber on which such items of expense are capitalized and added to the book value of the asset.

The following schedule drawn up to cover Profit and Loss has been arranged in very good order and should, with perhaps minor revisions, meet general requirements of most lumber manufacturing firms. Account 10.1 Profit and Loss on Products has been created to record the profits and losses at the end of the accounting period, from the purchase, manufacture, and sales of all products. Account 10.2 Profit and Loss on Miscellaneous Operations should provide suitable subaccounts for the net profits and net losses on all other operations or departments. The account headings appearing under Undistributed General Expenses, and subaccounts appearing under 16 Financial and 17 Income and Capital Stock Taxes should follow in the schedule and on the ledger in corresponding order. The net profit or net loss for the period, being brought down as a footing of the schedule, and transferred to Surplus, account 9.6. The ledger accounts are then closed, and likewise cleared by entry of one amount to Surplus, thus disposing of the account balances covering the operations for the period.

10. PROFIT AND LOSS ACCOUNT

Year Ending December 31, 1927

10.1 PROFIT AND LOSS ON PRODUCTS	
a. Sales of Lumber,	$
b. Sales of Logs,	
c. Sales of Cedar Logs,	
d. Sales of Cedar Posts,	
e. Sales of Cedar Poles,	
f. Sales of Lath,	
g. Sales of Shingles,	
h. Sales of Wood,	
i. Sales of Pulp Wood,	
j. Sales of Bark,	
	$

10.2	PROFIT AND LOSS ON MISCELLANEOUS OPERATIONS		
10.21	Railroad Revenue,		$
10.22	Electric Plant Revenue,		
10.23	Realized Profit on Land Sales,		
10.24	Realized Loss on Land Sales,		
10.25	Rent Revenue,		
10.26	All Other,		
			$
	Gross Profit or Loss for the Year,		$
	UNDISTRIBUTED GENERAL EXPENSES		
11.	Administrative,		$
12.	Selling,		
13.	Land Department,		
14.	Extraordinary,		
15.	All Other,		
			$
16.	FINANCIAL		
16.1	Discounts Allowed,	$	
16.2	Interest Paid,		
16.5	Discounts Received,	$	
16.6	Interest Received,		
16.7	Dividends Received,		
			$
17.	INCOME AND CAPITAL STOCK TAXES		
17.1	States,		$
17.2	Federal,		
			$
	Net Profit or Loss for the Year—To Surplus,		$

(Profits in black, Losses in red)

FIG. 3

TEXT PERTAINING TO PROFIT AND LOSS ACCOUNTS (FIG. 3)

10.1 *Profit and Loss on Products*

To this account should be carried the gross profits and the gross losses on all products at the end of the accounting period, as reflected by the individual group of accounts pertaining to such products.

This account may be subdivided as shown in Figure 3, to list separately the profit or loss on all the various products.

10.2 *Profit and Loss on Miscellaneous Operations*

To this account should be carried the gross profits and the gross losses on all miscellaneous operations at the end of the accounting period, as reflected by the individual group of accounts pertaining to such departments.

This account may be subdivided to meet the requirements of each individual firm. The following accounts are shown herewith wholly as illustrations:

10.21 Railroad Revenue

Credit all revenues derived from service to others on said railroads.

Debit all rebates and allowances on such revenue, and all expenses in connection with the production of such service to others.

10.22 Electric Plant Revenue

Credit all revenue derived from service to others from said department.

Debit all rebates and allowances on such revenue, and all expenses incurred in the production of such service to others.

10.23 Realized Profit on land Sales

To this account should be credited the amounts of profit realized on land sales within the accounting period as are concurrently charged to account 7.1 Deferred Profit on Land Sales.

10.24 Realized Loss on Land Sales

To this account should be charged the amounts of loss sustained on land sales within the accounting period as are concurrently credited to account 3.2 Deferred Loss on Land Sales.

10.25 Rent Revenue

Credit all rent received or accrued to the accounting company on property owned or held by it.

Debit with the cost of producing such rent, and all expenses in connection with the property on which such rent was earned.

10.26 All Other

This account should include expenses and income in connection with all other ordinary operations of the accounting company.

Undistributed General Expenses

11. Administrative

This account should include all salaries and expenses in connection with the administrative department of the organization.

This account may be subdivided in the following order:

11.1 *Administrative—Salaries*
11.2 *Administrative—Office Expense*
11.3 *Administrative—Office Supplies*
11.4 *Administrative—Traveling*
11.5 *Administrative—Professional*
11.6 *Administrative—(Etc.).*

12. Selling

This account should include all salaries and expenses of the sales department, and may be subdivided in the following order:

12.1 *Selling—Sales Managers' Salaries*
12.2 *Selling—Salesmen's Salaries*
12.3 *Selling—Miscellaneous Salaries*
12.4 *Selling—Office Expense*
12.5 *Selling—Office Supplies*
12.6 *Selling—Traveling*
12.7 *Selling—Commissions*
12.8 *Selling—Advertising*
12.9 *Selling—(Etc.).*

13. Land Department

This account should include all salaries and expenses in connection with the operation of a "Land Department Office." In case such land department is not maintained, any such expense applicable thereto and included in any other accounts may be corrected and posted to this account at the close of the accounting period.

14. Extraordinary

This account should include all salaries, wages, and all other expenses of extraordinary or miscellaneous departments and may cover relief and welfare departments, park and playground departments, athletic organizations, and the like.

15. All Other

This account should include all other expenses applicable to departments not heretofore provided for, and not classed as "financial expense," and this account may be subdivided or grouped to suit the requirements of the accounting company.

16. Financial

This account should include all financial expense and all financial earnings of the accounting company, and may be subdivided in the following order:

16.1 *Financial—Discounts Allowed*
16.2 *Financial—Interest Paid*
16.3 *Financial—Discounts Received*
16.4 *Financial—Interest Received*
16.5 *Financial—Dividends Received*
16.6 *Financial—(Etc., Etc., Etc.).*

17. Income and Capital Stock Taxes

This account should include income and capital stock taxes applicable to, or assumed by, the accounting company.

This account may be subdivided, viz.; State, Federal, Etc., and, as illustrated below:

17.1 *Income and Capital Stock Taxes—States*
17.2 *Income and Capital Stock Taxes—Federal*
17.3 *Income and Capital Stock Taxes—(Etc.).*

This account as a rule completes the group of accounts comprising the Profit and Loss group, and the net balance of this group is closed into Surplus at the end of the accounting period.

CHAPTER IV

THE LUMBER ACCOUNTS

Lumber forms the major product of most lumber manufacturing concerns. An efficiently arranged accounting and cost system, with records, schedules, and cost sheets supplying data in an accurate and comprehensive manner, provides the foundation of a well-organized and profitable business.

Lumber is usually sold from lumber yards and by direct shipment from point of purchase to customer. If more than one lumber yard is operated, a separate group of accounts may be opened for each. The accounts covering sales by direct shipments should be kept distinctly separate from other lumber sales accounts; likewise all accounts relating to direct shipments should be kept separate, so as to reflect true costs, sales, and averages. Firms doing a large direct shipment business will find a great variation in average lumber cost, average selling price, and in inventory values of all lumber, if such distinction is not made.

A well-arranged schedule covering sales of all lumber, showing necessary ledger accounts for proper accounting, is shown in Figure 4 in the order in which they usually appear on the ledger.

In Figure 5 a model schedule is shown covering all manufacturing and yarding ledger accounts of lumber. At line a, the cost of logs used in manufacturing is transferred from Log Account—Saw Mill Landing, Figure 7. Following this entry, adjustment in the cost of logs is brought about by the overrun of lumber as reflected by actual lumber tally, and adjustment is effected by entry similar to the following illustration:

	Amount	*Feet*	*Average*
a. Cost Logs—Saw Mill Landing,	$750,000.00	50,000,000	$15.00
b. Overrun, in feet,		10,000,000	2.50
	750,000.00	60,000,000	12.50
20.1 *Saw Mill Expense*			
20.11 Operation,	240,000.00	60,000,000	4.00
20.12 Repairs (Etc.),			

Having received the benefit of the overrun in lumber, the cost procedure travels on down to the process of manufacture in the Saw Mill, and is covered by the subaccounts under Saw Mill Expense, account 20.1, which includes transportation of lumber from the mill to the lumber yard or yards. Lumber Purchased—To Yard, account 20.2, is next in order, and covers lumber shipped to and unloaded in the lumber yard or yards. Following farther on down the line of manufacture, the next step is Yard and Piling Expense, accounts 20.31 to 20.34, inclusive, which, followed by Inventory—Beginning, account 20.4, gives a cost at line c, of rough lumber in the pile.

At this point, account 20.5, Inventory—End, should be deducted, also account 20.6 Cost Rough Lumber to Other Departments should be properly adjusted and deducted. Continuing, the remanufacturing accounts follow, and thus account 20.7 Planing Mill Expense, followed by account 20.8 Cost Finished Lumber to Other Departments are next in line. Dry Kiln Expense, 20.9, and finally Shipping Expense, 20.10, places the lumber on cars, truck, boat or other methods of conveyance, and account 20.11 gives a total Cost of Lumber Sold from the Lumber Yard. The latter account is then shown on the Sales of Lumber schedule, on line a. The Gross Profit or Loss on lumber sold from the yard is then added in to make up the footing on line b, and closed into Profit and Loss, subaccount 10.1, Item a. The lumber has traveled through the entire procedure of manufacture, drying, and remanufacture, and the properly arranged accounts have kept pace with each step of manufacture, purchase, sale, profit or loss.

In Figure 5, Dry Kiln Expense, follows Planing Mill Expense, on the theory that lumber which is remanufactured in the Planing Mill is taken dry from the pile, and lumber from the Dry Kilns is shipped or transferred to other departments of manufacture, rough. However, if considerable lumber is taken from the Dry Kilns for remanufacture, planing, or working in the Planing Mill, it would be best to place the Dry Kiln Expense group of accounts preceding the Planing Mill Expense accounts. In many cases lumber from Dry Kilns may be sent to many different departments. Commercial Dry Kiln work may be done also. When these conditions exist, it is advisable to handle the Dry Kiln Expense as a Burden Cost Control, and prorate the expense thereof to the departments for whose benefit the work was done.

Likewise if storage sheds are maintained, a group of expense accounts should be opened to cover them and placed on the ledger and

in schedules in their appropriate position. The West Coast Lumbermen's Association in its cost system provides for the use of Rough Dry Shed accounts and Finished Shed accounts.

The accounts shown herein have been arranged to cover an operation of one saw mill, one lumber yard, one planing mill, one set of dry kilns, and the unit of one in a complete operation. When more than one department of manufacture is operated, a separate group of accounts should be kept for each. The following schedules and accounts should be flexible enough to permit their use by most lumber manufacturing concerns, and may be revised to meet particular needs of various operating conditions without the destruction of the proposed general outline.

It is often desired to show the mill waste of the Planing Mill as an item of expense of manufacturing lumber in the planing mill. The accounts appearing under group 20.7 Planing Mill Expense shown herein, do not provide for the value of this waste, but firms who wish to show such loss as an expense of milling lumber may include a subaccount under group 20.7, and number and entitle it 20.75, Mill Waste.

The North Carolina Pine Association, in its *Manual of Cost Reporting,* prescribes the following method for determining periodic planing mill waste, and places the loss as an item of expense (Account 23) in their cost statement covering the Planing Mill operation.

Calculation of Mill Waste

	Footage	*Value*
Inventory, rough lumber, beginning of period,		$
Rough lumber received during month,		
	(a)	
Inventory, rough lumber, end of period,		
Finished lumber produced—4/4 basis,		
	(b)	
Difference—(a) less (b),		
Sale of Mill Waste (deduct),		
NET COST OF MILL WASTE (Item 23—Operating cost of the Planing Mill),		$

18. SALES OF LUMBER

Year Ending December 31, 1927

	Details		*Amount*	*Feet*	*Average*
	LUMBER YARD				
18.1	*Gross Sales,*		$		
18.11	Less: Outbound Freight,	$			
18.12	Inspection Fees,				
	Net Sales,				
	a. Cost Lumber Sold from Lumber Yard,				
	Gross Profit or Loss,		$		
	PURCHASED—DIRECT SHIPMENTS,				
18.2	*Gross Sales,*		$		
18.21	Less: Outbound Freight,	$			
18.22	Inspection Fees,				
	Net Sales,				
	Cost of Purchased Lumber Sold:				
19.	PURCHASED,	$			
19.1	*Purchase Expense,*				
	Gross Profit or Loss,		$		
	b. Total Gross Profit or Loss on Lumber, (To Profit and Loss Account 10.1, Item a)		$		
	(Losses in red)				

FIG. 4

TEXT PERTAINING TO LUMBER ACCOUNTS

18. SALES OF LUMBER (FIG. 4)

18.1 *Lumber Yard—Gross Sales*

To this account should be credited all sales of lumber from lumber yards. If more than one lumber yard is maintained, and it is desired to keep the sales of each separate, subaccounts may be opened hereunder.

This account may be kept in such a manner as to permit segregation of all sales of lumber according to grade and kind, through the use of a supporting sales analysis record. Such a form is shown in Chapter XIX.

To this account should be charged all adjustments and allowances given customers on sales originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

18.11 Lumber Yard—Outbound Freight

To this account should be charged all outbound freight on lumber sold from lumber yards. If more than one lumber yard is maintained, and it is desired to keep the outbound freight of each separate, subaccounts may be opened up hereunder. This account may include any other outbound transportation charges, such as express, parcel post, trucking, etc., though the greater portion of transportation charges are made up of freight items.

This account may be kept in such a manner as to permit segregation of all freight on lumber according to grade and kind of lumber to which such freight applies, through the use of a supporting sales analysis record. Such a form is shown in Chapter XIX.

To this account should be credited all refunds on outbound freight or transportation charges received on lumber sold from lumber yards, provided such credits are made within the same accounting period in which the original expense bill applying thereto was debited to this account.

18.12 Lumber Yard—Inspection Fees

This account should include all expense in connection with authoritative inspection fees relative to lumber sold from lumber yards. If more than one lumber yard is maintained, and it is desired to keep the expense of each separate, subaccounts may be opened hereunder.

18.2 *Purchased—Direct Shipments—Gross Sales*

To this account should be credited all sales of lumber shipped direct from point of purchase to customer, and no such sales should be included in any other account.

This account may be kept in such a manner as to permit segregation of all sales of lumber according to grade and kind, through the use of a supporting sales analysis record. Such a form is shown in Chapter XIX.

To this account should be charged all adjustments and allowances

given customers on sales originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

20. LUMBER ACCOUNT—MANUFACTURE AND YARD

Year Ending December 31, 1927

Details		*Amount*	*Feet*	*Average*
a. Cost of Logs—Saw Mill Landing,		$		
b. Overrun, in feet,				
20.1 *Saw Mill Expense*				
20.11 Operation,		$		
20.12 Repairs,				
20.13 Depreciation,				
20.14 Shutdown Overhead,				
20.2 *Lumber Purchased—To Yard*				
20.21 Purchased,	$			
20.22 Purchase Expense,				
20.23 Purchase Freight,				
		$		
20.3 *Yard and Piling Expense*				
20.31 Operation,		$		
20.32 Repairs,				
20.33 Depreciation,				
20.34 Shutdown Overhead,				
20.4 Plus: *Inventory—Beginning,*				
c. Cost Lumber in the Pile				
20.5 Less: *Inventory—End,*				
20.6 Less: *Cost Rough Lumber to Other Departments,*				
20.7 *Planing Mill Expense*				
20.71 Operation,		$		
20.72 Repairs,				
20.73 Depreciation,				
20.74 Shutdown Overhead,				
20.8 Less: *Cost Finished Lumber to Other Departments,*				

Details	*Amount*	*Feet*	*Average*
20.9 *Dry Kiln Expense*			
20.91 Operation,	$		
20.92 Repairs,			
20.93 Depreciation,			
20.94 Shutdown Overhead,			
20.10 *Shipping Expense*			
20.101 Labor,	$		
20.102 Supplies,			
20.103 Expense,			
20.104 Repairs,			
20.11 *Cost Lumber Sold from Yard,* (To Sales of Lumber 18, Item a)	$		

FIG. 5

18.21 Purchased—Direct Shipments—Outbound Freight

To this account should be charged all outbound freight on lumber sold direct from point of purchase to customer, and no such freight should be included in any other outbound freight account. This account may include any other transportation charges on outbound direct shipments of lumber, such as express, parcel post, trucking, etc.

This account may be kept in such a manner as to permit segregation of all freight on lumber according to grade and kind, to which such freight applies, through the use of a supporting sales analysis record. Such a form is shown in Chapter XIX.

To this account should be credited all refunds on outbound freight or other transportation charges received on lumber sold direct from point of purchase to customer, provided such credits are made within the same accounting period in which the original expense bill applying thereto was debited to this account.

18.22 Purchased—Direct Shipments—Inspection Fees

This account should include all expense in connection with authoritative inspection fees relative to lumber sold direct from point of purchase to customer.

COST OF PURCHASED LUMBER SOLD BY DIRECT SHIPMENTS

19. PURCHASED

To this account should be charged the material cost of all lumber purchased for direct shipment from point of purchase to customer;

sales of which are reflected in account 18.2 Purchased—Direct Shipments—Gross Sales.

To this account should be credited all allowances and adjustments received in the material cost of such purchases, provided such credits are made within the same accounting period in which debit applying thereto was made to this account.

This account may be kept in such a manner as to permit segregation of all purchased lumber as to grade and kind, through the use of a supporting purchase analysis record similar to the sales analysis record illustrated in Chapter XIX.

19.1 *Purchase Expense*

This account should include all miscellaneous expenses in connection with the purchase of lumber for direct shipment.

20. Lumber Account—Manufacture and Yard (Fig. 5)

20.1 *Saw Mill Expense*

This account heading should include the following subaccounts:

20.11 Operation

This account should include all the operating expenses of the saw mill covering labor, supplies, and expense, applicable to the manufacture of lumber, and should be further subdivided so as to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.12 Repairs

This account should include all repair expenses, of the saw mill buildings and saw mill machinery and equipment applicable to the manufacture of lumber. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.13 Depreciation

This account should include the depreciation on saw mill buildings, machinery, and equipment applicable to the manufacture of lumber. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.14 Shutdown Overhead

This account should include all shutdown overhead expense of the saw mill applicable to the manufacture of lumber, covering labor, supplies, expense, and repairs. This account should be further subdivided

to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.2 *Lumber Purchased—To Yard*

20.21 Purchased

To this account should be charged the material cost of all lumber purchased, shipped to, and unloaded in the accounting company's lumber yard. If more than one lumber yard is maintained, and it is desired to keep the purchased lumber of each separate, this account may be subdivided for that purpose.

To this account should be credited all allowances and adjustments received covering such purchases, provided such credit is made within the same accounting period as the debit to which it relates.

This account may be kept in such a manner as to permit segregation of such purchased lumber, as to grades and kinds, through use of a purchase analysis record supporting this account.

20.22 Purchase Expense

This account should include all miscellaneous expenses in connection with the purchase of lumber covered by the foregoing account.

20.23 Purchase Freight

To this account should be charged all inbound freight on lumber shipped to and unloaded in the accounting company's lumber yard. If more than one lumber yard is maintained, and it is desired to keep the purchase freight of each separate, this account may be subdivided for that purpose.

To this account should be credited all refunds of freight applying to items which have been charged to this account within the same accounting period.

This account may include other inbound transportation charges, such as express, parcel post, trucking.

20.3 *Yard and Piling Expense*

This account heading should include the following subaccounts:

20.31 Operation

This account should include all the operating expenses of the lumber storage yards covering labor, supplies, and expense, and should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.32 Repairs

This account should include all repair expenses of the yard build-

ings, machinery, and equipment applicable to lumber. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.33 Depreciation

This account should include the depreciation on yard buildings, machinery, and equipment, applicable to lumber. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.34 Shutdown Overhead

This account should include all shutdown overhead expense of the lumber yards applicable to lumber covering labor, supplies, expense, and repairs. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.4 *Inventory—Beginning*

This account should include the inventory value of all lumber on hand at the beginning of the accounting period.

For balance sheet and closing purposes, the inventory value of all lumber on hand at the date of the balance sheet is carried in subaccount 1.71 Inventory of Products—Lumber. At the beginning of the accounting period, following the date of the balance sheet, lumber inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.71 Inventory of Products—Lumber, and charged to this account. This is done to place the inventory at the beginning of the period, among the lumber operating accounts of the new period.

20.5 *Inventory—End*

This account should include the inventory value of all lumber on hand at the end of the accounting period.

This account serves as an intermediate account between the operating accounts and the balance sheet. The inventory value of lumber on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.71 Inventory of Products—Lumber, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be

transferred from account 1.71 Inventory of Products—Lumber to account 20.4 Inventory—Beginning.

Refer to text data at account 1.7 regarding inventory valuations.

20.6 *Cost Rough Lumber to Other Departments*

If it is the desire of the accounting company to transfer rough lumber to other departments of manufacture without profit or loss, such transfer should be made upon the basis of average rough lumber cost per thousand feet for the period (see Figure 5: average appears in Average column, directly under line Inventory—End), and charged to this account for quantities transferred.

Such lumber may be charged to this account as transfers are made during the accounting period on a basis of estimated average lumber cost, with adjustment to actual cost at the closing of the period. When this account is finally brought to reflect actual average cost of all rough lumber delivered to other departments, such amounts represent the raw material cost of the department receiving the lumber.

The departments may include flooring mill, box, factory, millwork mill, etc., and subaccounts should be opened hereunder when more than one department is operated. The title or titles of this account should define the department to which such lumber has been transferred.

20.7 *Planing Mill Expense*

This account heading should include the following subaccounts:

20.71 Operation

This account should include all operating expenses of the planing mill covering labor, supplies, and expense applicable to the manufacture of lumber. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.72 Repairs

This account should include all repair expenses of the planing mill buildings, machinery, and equipment applicable to the manufacture of lumber. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.73 Depreciation

This account should include the depreciation on planing mill buildings, machinery, and equipment applicable to the manufacture of lumber. This account should be further subdivided to permit segregation

of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.74 Shutdown Overhead

This account should include all shutdown overhead expenses of the planing mill applicable to lumber. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.8 *Cost Finished Lumber to Other Departments*

If it is the desire of the accounting company to transfer finished lumber to other departments of manufacture without profit or loss, such transfer should be made upon the basis of average finished lumber cost per thousand feet for the period (see Figure 5: average appears in Average column, directly under line ruling off Planing Mill Expense accounts) and charged to this account for quantities transferred.

Such lumber may be charged to this account as transfers are made during the accounting period on a basis of estimated average lumber cost, with adjustments to actual cost at the closing of the period. When this account is finally brought to reflect actual average cost of all finished lumber delivered to other departments, such amounts represent the raw material cost of the departments receiving the lumber.

The departments may include flooring mill, box factory, millwork mill, etc., and subaccounts should be opened hereunder when more than one department is operated. The title or titles of this account should fine the department to which such lumber has been transferred, and for that reason this account has not been given a definite title in this text.

20.9 *Dry Kiln Expense*

This account heading should include the following subaccounts:

20.91 Operation

This account should include all the operating expenses of the dry kilns covering labor, supplies, and expense applicable to lumber, and should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.92 Repairs

This account should include all repair expenses of the dry kiln buildings, machinery, and equipment applicable to lumber. This account should be further subdivided to permit segregation of accounts for

supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.93 Depreciation

This account should include the depreciation on dry kiln buildings, machinery, and equipment applicable to lumber. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.94 Shutdown Overhead

This account should include all shutdown overhead expenses of the dry kilns covering labor, supplies, expense, and repairs applicable to lumber. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

20.10 *Shipping Expense*

This account heading should include the following subaccounts:

20.101 Labor

This account should include the wages of all employees engaged in the work of shipping lumber, beginning at the lumber pile and ending in cars, on truck, boat, etc.

20.102 Supplies

This account should include the cost of all supplies incidental to the shipping of lumber and may include such items as rope, wire, stamping ink, rules, oil, etc.

20.103 Expense

This account should include all miscellaneous and burden expenses applicable to the shipping of lumber.

20.104 Repairs

This account should include all repairs to sundry machinery and equipment applicable to the shipping of lumber.

20.11 *Cost Lumber Sold from Yard*

At the end of the accounting period, all of the lumber operating expense accounts which make up the footing of Lumber Account—Manufacture and Yard schedule (see Figure 5), including the account Inventory—Beginning shown thereon, are credited and closed into this account, which then represents the total cost of all lumber sold from the lumber yard.

In this manner, this account serves as an intermediate account between the operating expense accounts and Profit and Loss. It is a much better method than clearing the numerous operating accounts

directly into Profit and Loss and affords a reconciliation account with reports and books.

The debit balance in this account, together with the credit balance in account 18.1 Lumber Yard—Gross Sales, and the debit balances, if any, in accounts 18.11 and 18.12, is carried by net balance only to Profit and Loss, subaccount 10.1, Item a.

CHAPTER V

THE LOG ACCOUNTS

The logging division of the lumber industry includes the felling of timber, trimming off the limbs, cutting it into lengths, and transporting it to market or to mills. The raw material of this division consists of standing timber, and the finished products consist of some form of logs, posts, poles, pulp wood, and oftentimes fuel wood or bark.

This chapter is devoted to the accounting procedure covering the purchase, manufacture, disposition, and sale of logs (not including cedar logs) from the stump to the main line railroad, rivers or streams, thence sold or transported to the mill landing at the saw mill, and finally to the mill itself where the logs are manufactured into lumber and its by-products. Logs are often purchased, as well as being manufactured, and are sold direct from point of purchase or are shipped or floated to the mills, to be made into lumber together with the company's own timber.

A schedule showing the necessary ledger accounts, and outlining appropriate profit and loss procedure covering all sales of logs, is shown in Figure 6. Profit and Loss is computed for each division of sales, depending upon the point where sales were made and the cost of logs sold at that point; the net result of all items being brought down to line d.

In Figure 7 a well-arranged group of accounts is shown covering logs from their arrival at the saw mill landing to their delivery to the "bull chain" at the saw mill. Lines a and b provide for the transfer of costs of logs from the camps, while line c should cover the cost of jobbers' logs shipped to the saw mill landing. Transfers of costs of logs from the camps to this schedule should be made in separate amounts, as illustrated herein by the use of Camp Number One and Camp Number Two. One line of the schedule should be used for each transfer of log cost. Inbound freight may be included in one account, as account 23.1, or it may be subdivided if desired to cover each camp or each jobber separately. If logs are driven from the woods to the mill in streams, account 23.1 Inbound Freight should be replaced by an account covering the expense of driving the logs, but should not in-

clude the expense of taking the logs from the water at the saw mill landing and placing them in rollways on the bank. Such expense is chargeable to account 23.3 Saw Mill Landing Expense. The accounts which follow cover each step of cost from the landing to the mill, and the cost of logs used in manufacturing is shown in account 23.8, which is carried to Lumber Account 20—Manufacture and Yard, line a, and constitutes the raw material cost of logs used in manufacturing lumber.

Figure 8 provides a complete outline of accounts covering the manufacture of logs at the camps, from the stump to the main line railroad. If logs are transported to rivers or streams in place of to main line railroads, a group of accounts arranged to cover the cost from the woods to the water should be substituted for account 24.8 Railroad Expense. In some regions high-wheeled jigs are used to transport logs; in still other regions long sleigh hauls moved by teams or tractors are resorted to, and when this work takes the place of a company operated railroad, such expense should be carried in appropriate accounts, in place of group 24.8.

A complete outline of accounts covering jobbers' or contractors' logs is shown in Figure 9, and except where many jobbers are employed, these accounts should meet the requirements of most firms.

The items included in accounts 23.1, 23.3, and 23.7 should begin with the freight or driving expense of inbound logs (company and jobbers' logs) and should end with the expense of placing the logs on the "bull chain" leading into the saw mill. The items included in accounts 24.1, 24.4, 24.7, and 24.8 should begin with the expense of cutting the trees and end with the logs placed on cars at the main line railroad or placed in the water of rivers or streams, plus cost of depletion, account 24.9.

A separate group of accounts should be kept for each logging camp operated and for each saw mill landing maintained.

In certain regions of the country, logging operations require the substitution of accounts, which signify the particular method of manufacture peculiar to that locality.

This is illustrated by the outline of accounts appearing on the "Standard Cost Forms" prepared by the Southern Cypress Manufacturers' Association for use by the members of that organization, covering what is termed "pull boat" and "skidder" logging; subaccounts being arranged under these accounts to meet the requirements of each particular firm.

LOGGING (*Pull Boat*)

1. Deadening
2. Cutting
3. Dredging Expense
4. Sniping and Boring
5. Road Cutting
6. Pull Boat Expense
7. Pull Boat Maintenance
8. Camp Boat Expense
9. Booming and Rafting
10. General Logging Expense
11. Depreciation
12. Logs Purchased
13. Stumpage

TOTAL PULL BOAT LOGGING

LOGGING (*Skidder*)

25. Deadening
26. Cutting
27. Spur Line Construction
28. Skidder Expense
29. Skidder Maintenance
30. Camp Expense
31. General Logging Expense
32. Depreciation
33. Logs Purchased
34. Stumpage

TOTAL SKIDDER LOGGING

The North Carolina Pine Association, in its *Manual of Cost Reporting,* suggests the following accounts to its members to cover the operating costs of logging and log transportation:

LOGGING

1. Salaries
2. Labor
3. Fuel
6. Supplies
8. Sundry Charges
9. Teams' Expense; Feed and Supplies
15. Repairs & Maintenance, Buildings
16. Repairs & Maintenance, Equipment
17. Rent of Equipment, Land, Etc.

18. Spur Track, Building
19. Spur Track, Maintenance
24. Loss & Damage—Fire, Storm or Accident
25. Personal Injuries
27. Contract Logging
    TOTAL

LOG TRANSPORTATION

1. Salaries
2. Labor
3. Fuel
6. Supplies
8. Sundry Charges
15. Repairs & Maintenance, Buildings
16. Repairs & Maintenance, Equipment
17. Rent of Equipment, Land, Etc.
21. Railroad Operation
22. Railroad Repair & Maintenance
24. Loss & Damage
25. Personal Injuries
28a. Contract Hauling
28b. Contract Rafting
28c. Contract Towing
30. Freight
49. COST OF TRANSPORTATION

It will be seen, after a study of this chapter that any changes in account titles or groups, or steps in cost procedure, should not necessitate considerable revision in cost accounting outline, as the general system remains practically the same as illustrated throughout the succeeding schedules and text material. Such revision means little more than a change in account titles, with perhaps the addition of a few account groups.

21. SALES OF LOGS

Year Ending December 31, 1927

	Details	*Amount*	*Feet*	*Average*
	CAMP NUMBER ONE—MAIN LINE			
21.1	*Gross Sales,*	$		
21.11	Less: Outbound Freight,			
	Net Sales,			
a.	Cost Logs Sold from Camp Number One,			
	Gross Profit or Loss,	$		

	Details	*Amount*	*Feet*	*Average*
	JOBBERS—MAIN LINE			
21.2	*Gross Sales,*	$		
21.21	Less: Outbound Freight,			
	Net Sales,			
	b. Cost Logs Sold from Jobbers,			
	Gross Profit or Loss,	$		
	SAW MILL LANDING			
21.3	*Gross Sales,*	$		
21.31	Less: Outbound Freight,			
	Net Sales,			
	c. Cost Logs Sold from Saw Mill Landing,			
	Gross Profit or Loss,	$		
	PURCHASED—DIRECT SHIPMENTS			
21.4	*Gross Sales,*	$		
21.41	Less: Outbound Freight,			
	Net Sales,			
	Cost Purchased Logs Sold:			
22.	PURCHASED, $			
22.1	*Purchase Expense,*			
	Gross Profit or Loss	$		
	d. TOTAL GROSS PROFIT OR LOSS ON LOGS, (To Profit and Loss Account 10.1, Item b)	$		

(Losses in red)

FIG. 6

TEXT PERTAINING TO LOG ACCOUNTS

21. SALES OF LOGS (FIG. 6)

21.1 *Camp Number One—Gross Sales*

To this account should be credited all sales of logs from main line railroad at Camp Number One, and such sales may be kept in such a manner as to permit segregation of sales according to species of logs, through the use of a sales analysis record similar to the form shown in Chapter XIX.

To this account should be charged all adjustments and allowances given customers on sales of logs originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

21.11 Camp Number One—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on logs sold from the main line railroad at Camp Number One.

This account should be kept in such a manner as to permit segregation of all outbound freight according to species of logs to which same applies, in case the foregoing account divides the sales in the same manner.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

21.2 *Jobbers—Gross Sales*

To this account should be credited all sales of logs from jobbers' main line railroad, and such sales may be kept in such a manner as to permit segregation of sales according to species of logs, through the use of a sales analysis record similar to the form shown in Chapter XIX.

To this account should be charged all adjustments and allowances given customers on sales of logs originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

21.21 Jobbers—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on logs sold from the main line railroad of jobbers.

This account should be kept in such a manner as to permit segregation of all outbound freight according to species of logs to which same applies, in case the foregoing account divides the sales in the same manner.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

21.3 *Saw Mill Landing—Gross Sales*

To this account should be credited all sales of logs from the saw

mill landing, and such sales may be kept in such a manner as to permit segregation of sales according to species of logs, through the use of a sales analysis record similar to the form shown under another chapter.

To this account should be charged all adjustments and allowances given customers on sales of logs originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

21.31 Saw Mill Landing—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on logs sold from the saw mill landing.

This account should be kept in such a manner as to permit segregation of all outbound freight according to species of logs to which same applies, in case the foregoing account divides the sales in the same manner.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

21.4 *Purchased—Direct Shipments—Gross Sales*

To this account should be credited all sales of logs shipped direct from point of purchase to customer, and no such sales should be included in any other account.

This account may be kept in such a manner as to permit segregation of sales according to species of logs, through the use of a sales analysis record similar to the form shown in Chapter XIX.

To this account should be charged all adjustments and allowances given customers on sales of logs originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

21.41 Purchased—Direct Shipments—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on logs sold direct from point of purchase to customer, and no such freight should be included in any other outbound freight account.

This account should be kept in such a manner as to permit segregation of all outbound freight according to species of logs to which same applies, in case the foregoing account divides the sales in the same manner.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are

made within the same accounting period in which the original charge applying thereto was entered in this account.

Cost of Purchased Logs Sold by Direct Shipments

22. Purchased

To this account should be charged the material cost of all logs purchased for direct shipment from point of purchase to customer; sales of which are reflected in account 21.4 Purchased—Direct Shipments—Gross Sales.

To this account should be credited all allowances and adjustments received in the material cost of such purchases, provided such credits are made within the same accounting period in which debit applying thereto was made to this account.

This account may be kept in such a manner as to permit segregation of all purchased logs according to species, through the use of a supporting purchase analysis record similar to the sales analysis record illustrated in Chapter XIX.

23. LOG ACCOUNT—SAW MILL LANDING

Year Ending December 31, 1927

Details		*Amount*	*Feet*	*Average*
a. *Log Account—Camp Number One,*		$		
b. *Log Account—Camp Number Two,*				
Average of All Camps,				
c. *Log Account—Jobbers,*				
23.1 Inbound Freight,				
23.2 *Logs Purchased—To Saw Mill Landing*				
23.21 Purchased,	$			
23.22 Purchase Expense,				
23.23 Purchase Freight,				
23.3 *Saw Mill Landing Expense*				
23.31 Labor,		$		
23.32 Supplies,				
23.33 Expense,				
23.34 Repairs,				
23.4 Plus: *Inventory—Beginning,*				

	Details	*Amount*	*Feet*	*Average*
d.	*Cost Logs at Saw Mill Landing,*			
23.5	Less: *Inventory—End,*			
	Less:			
23.6	*Cost Logs Sold from Saw Mill Landing,* (To Sales of Logs 21, Item c)	$		
23.7	*Landing To Saw Mill Expense*			
23.71	Labor,	$		
23.72	Supplies,			
23.73	Expense,			
23.74	Repairs,			
23.8	*Cost Logs Used in Manufacturing,* (To Lumber Account 20, Item a)	$		

FIG. 7

22.1 *Purchase Expense*

This account should include all miscellaneous expenses in connection with the purchase of logs for direct shipment.

23. LOG ACCOUNT—SAW MILL LANDING (FIG. 7)

23.1 Inbound Freight

To this account should be charged all inbound freight or other transportation charges on company logs and jobbers' logs shipped to and unloaded at the saw mill landing.

To this account should be credited all refunds of freight or other transportation charges applying to items which have been charged to this account within the same accounting period.

This account does not include freight or other transportation charges on inbound purchased logs, as same comes within the definition of account 23.23 Logs Purchased—Purchase Freight.

23.2 *Logs Purchased—To Saw Mill Landing*

23.21 Purchased

To this account should be charged the material cost of all logs purchased, shipped to, and unloaded at the accounting company's landing at the saw mill. If more than one log landing is maintained at each mill, and it is desired to keep the purchased logs of each separate, this account may be subdivided for that purpose.

To this account should be credited all allowances and adjustments received covering such purchases, provided such credit is made within the same accounting period as the debit to which it relates.

This account may be kept in such a manner as to permit segregation of all purchased logs according to species or kinds. This is accomplished through the use of a purchase analysis record supporting this account.

23.22 Purchase Expense

This account should include all miscellaneous expenses in connection with the purchase of logs covered by the foregoing account.

23.23 Purchase Freight

To this account should be charged all inbound freight on logs purchased for, shipped to, and unloaded at the accounting company's landing at the saw mill. If more than one log landing is maintained at each saw mill, and it is desired to keep the purchased logs of each separate, this account may be subdivided for that purpose.

To this account should be credited all refunds of freight applying to items which have been charged to this account within the same accounting period.

This account may include other inbound transportation charges, such as trucking or rafting service.

23.3 *Saw Mill Landing Expense*

23.31 Labor

This account should include all labor in connection with logs at the saw mill landing, and may be subdivided if desired to show each class of labor separate, such as: unloading crew, decking crew, cars crew, engine crew, and the like, but should not include any labor performed on transportation of logs from the landing to the saw mill.

23.32 Supplies

This account should cover the cost of all supplies used at the saw mill log landing, and may include such items as coal, oil, waste, rope, chain, packing, gaskets, gasoline, sundry hardware, and the like. To this account should also be charged such portions of general and miscellaneous supplies as are applicable to the saw mill log landing, as shown by concurrent credits to Burden Cost Control supply accounts.

23.33 Expense

This account should cover the cost of all expenses directly chargeable to the saw mill log landing and should include such portions of general and miscellaneous expenses as are applicable to said landing, as shown by concurrent credits to Burden Cost Control expense accounts.

23.34 Repairs

This account should cover the cost of all repairs directly chargeable to the saw mill log landing and should include such portions of general

and miscellaneous repairs as are applicable to said landing, as shown by concurrent credits to Burden Cost Control repair accounts.

23.4 *Inventory—Beginning*

This account should include the inventory value of all logs on hand at the saw mill landing, at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all logs on hand at the date of the balance sheet, or date of closing, is carried in subaccount 1.72 Inventory of Products —Logs. At the beginning of the accounting period following the date of the balance sheet, log inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.72 Inventory of Products—Logs and charged to this account for all logs at the saw mill landing. This is done to place the inventories of all logs at the beginning of the period among the proper log operating accounts for the new period.

If logs are in process of transportation between the saw mill landing and the saw mill, whether on cars or in the water, provided such landing is within short distance from the mill, such logs should be included in the inventory as though they were located at the landing on inventory date.

23.5 *Inventory—End*

This account should include the inventory value of all logs on hand at the saw mill landing at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of the saw mill log landing and the balance sheet. The inventory value of logs on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books this account should be closed into subaccount 1.72 Inventory of Products—Logs, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.72 Inventory of Products—Logs to account 23.4 Inventory—Beginning.

If logs are in process of transportation between the saw mill landing and the saw mill, whether on cars or in the water, provided such landing is within short distance from the mill, such logs should be included in the inventory as though they were located at the landing on inventory date.

Refer to text data at account 1.7 Inventory of Products regarding inventory valuations.

23.6 *Cost Logs Sold from Saw Mill Landing*

At the end of the accounting period, when all of the log operating expense accounts covering the saw mill landing, which make up the footing of Log Account—Saw Mill Landing schedule (see Figure 7), including the account Inventory—Beginning shown thereon, are credited and closed into account 23.8 Cost Logs Used in Manufacturing, the cost of all logs sold from said saw mill landing should be charged to this account. Such charge should be according to quantities sold and based upon general average cost of logs before logs are transported to the saw mill. General average cost of logs sold from the landing would correspond with the average shown on line d, of Figure 7.

23.7 *Landing to Saw Mill Expense*

23.71 Labor

This account should include all labor in connection with transporting logs from the saw mill landing to the saw mill, and may be subdivided if desired to show each class of labor separate, such as: loading crew, unloading crew, train crew, river crew, boom crew, and the like, but should not include any labor coming within the definition of account 23.31 Saw Mill Landing Expense Labor.

23.72 Supplies

This account should cover the cost of all supplies used in connection with transporting logs from the saw mill landing to the saw mill. To this account should also be charged such portions of general and miscellaneous supplies as are applicable to the transportation of logs to the saw mill, as shown by concurrent credits to Burden Cost Control supply accounts.

23.73 Expense

This account should cover the cost of all expenses directly chargeable to the transportation of logs from the saw mill log landing to the saw mill and should include such portions of general and miscellaneous expenses as are applicable to this operation, as shown by concurrent credits to Burden Cost Control expense accounts.

23.74 Repairs

This account should cover the cost of all repairs directly chargeable to the transportation of logs from the saw mill log landing to the saw mill and should include such portions of general and miscellaneous repairs as are applicable to this operation, as shown by concurrent credits to Burden Cost Control repair accounts.

23.8 *Cost Logs Used in Manufacturing*

At the end of the accounting period all of the log operating accounts

covering the saw mill landing, which make up the footing of the Log Account—Saw Mill Landing schedule (see Figure 7), including the account Inventory—Beginning shown thereon, are credited and closed into this account, which then represents the total cost of all logs used in manufacturing. (Account 23.6 Cost Logs Sold from Saw Mill Landing is of course not closed into this account, but is in itself charged with all logs sold from the landing, on the basis of average cost shown on line d.)

In this manner this account serves as an intermediate account between the operating accounts of the saw mill landing and the cost of manufacturing lumber. It is a summary of all costs which make up the cost of the raw material used in manufacturing, and same is carried to schedule Lumber Account—Manufacture and Yard, Figure 5, item a.

24. LOG ACCOUNT—CAMP NUMBER ONE

Year Ending December 31, 1927

	Details	*Amount*	*Feet*	*Average*
	Cut from the stump—Feet,			
24.1	*Stump To Road Expense*			
24.11	Labor,	$		
24.12	Supplies,			
24.13	Expense,			
24.14	Repairs,			
24.2	Plus: *Inventory—Beginning,*			
	Cost Logs at the Road			
24.3	Less: *Inventory—End,*			
24.4	*Road to Woods Landing Expense*			
24.41	Labor,	$		
24.42	Supplies,			
24.43	Expense,			
24.44	Repairs,			
24.5	Plus: *Inventory—Beginning,*			
	Cost Logs at the Woods Landing,			
24.6	Less: *Inventory—End,*			

Details	Amount	Feet	Average
24.7 *Shipping Expense*			
24.71 Labor,	$		
24.72 Supplies,			
24.73 Expense,			
24.74 Repairs,			
Cost Logs on Cars			
24.8 *Railroad Expense*			
24.81 Operation,	$		
24.82 Repairs,			
24.83 Depreciation,			
24.9 *Depletion of Timber—Logs,*			
Cost Logs at the Main Line			
24.10 Less: *Cost Logs Sold from Main Line,* (To Sales of Logs 21, Item a)			
24.11 *Cost Logs To Saw Mill Landing,* (To Log Account 23, Item a)	$		

FIG. 8

24. LOG ACCOUNT—CAMP NUMBER ONE (FIG. 8)

24.1 *Stump to Road Expense*

This account should cover the cost of all expenses directly chargeable to logs from the stump to the logging road and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

24.11 Labor
24.12 Supplies
24.13 Expense
24.14 Repairs

These subaccounts may be further divided to meet the requirements of each particular logging condition. For example, labor may be classified as Cutting Logs, Swamping Logs, Skidding Logs, and the like.

24.2 *Inventory—Beginning*

This account should include the inventory value of all logs on hand in the woods or at the logging road at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the in-

ventory value of all logs on hand at the date of the balance sheet or date of closing is carried in subaccount 1.72 Inventory of Products—Logs. At the beginning of the accounting period following the date of the balance sheet, log inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.72 Inventory of Products—Logs and charged to this account for all logs in the woods or at the logging road. This is done to place the inventories of all logs at the beginning of the period among the proper log operating accounts of the new period.

24.3 *Inventory—End*

This account should include the inventory value of all logs on hand in the woods or at the logging road at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of the woods and logging road and the balance sheet. The inventory value of logs on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.72 Inventory of Products—Logs, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period when it should be transferred from account 1.72 Inventory of Products—Logs to account 24.2 Inventory—Beginning.

Refer to text data at account 1.7 Inventory of Products regarding inventory valuations.

24.4 *Road to Woods Landing Expense*

This account should cover the cost of all expenses directly chargeable to logs from the logging road to the woods landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

24.41 Labor
24.42 Supplies
24.43 Expense
24.44 Repairs

These subaccounts may be further divided to meet the requirements of each particular logging condition. For example, labor may be classified as Loading Sleighs, Loading Drays, Hauling Sleighs,

Hauling Drays, Landing, Decking, and the like, or under account 24.43 Expense the cost of team labor may be divided in a similar manner.

24.5 *Inventory—Beginning*

This account should include the inventory value of all logs on hand at the woods landing at the beginning of the accounting period, same being transferred to this account from Balance Sheet account 1.72 Inventory of Products—Logs at the beginning of the new period. Refer to foregoing accounts relative to inventory of logs at the beginning of a period succeeding the balance sheet.

24.6 *Inventory—End*

This account should include the inventory value of all logs on hand at the woods landing at the end of the accounting period, until such time as same is closed into balance sheet account 1.72 Inventory of Products—Logs. Refer to foregoing accounts relative to inventory of logs at the end of an accounting period, prior to closing to the Balance Sheet account 1.72.

Refer also to text data at account 1.7 Inventory of Products regarding inventory valuations.

24.7 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of logs from the woods landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

24.71 Labor
24.72 Supplies
24.73 Expense
24.74 Repairs

These subaccounts may be further subdivided to meet the requirements of each particular shipping condition. If in place of loading logs for shipment they are placed in water for transportation, the accounts should be arranged accordingly but the general outline should not be changed.

24.8 *Railroad Expense*

The logging railroad is usually operated for the benefit of all forest products, and the cost distributed on the basis of cars hauled.

This account should include such portions of the logging railroad

expense as are applicable to the hauling of logs, as shown by the allocation of the Burden Cost Control covering the railroad operation.

Such burden charges should be subdivided in the following order:

24.81 Operation
24.82 Repairs
24.83 Depreciation

25. LOG ACCOUNT—JOBBERS

Year Ending December 31, 1927

	Details	*Amount*	*Feet*	*Average*
25.1	*Jobbers' Contracts,* (List names of all jobbers here, with amounts paid each, production and average cost of each in the columns to the right)	$		
	Average—All Contracts,			
25.2	*Miscellaneous Jobbers' Log Expense,*			
25.3	*Depletion of Timber—Logs,*			
	Cost Logs at the Main Line,			
25.4	Less: *Cost Logs Sold from Jobbers,* (To Sales of Logs 21, Item b)			
25.5	*Cost Logs to Saw Mill Landing,* (To Log Account 23, Item c)	$		

FIG. 9

24.9 *Depletion of Timber—Logs*

To this account should be charged the depletion cost of logs which is concurrently credited to the proper subaccount under 2.2 Timber, applying to timber from which such logs were cut. Such depletion is usually based upon the quantity actually shipped out, as shown by the scale of logs loaded on cars and transported over the logging railroad.

24.10 *Cost Logs Sold from Main Line*

—and account—

24.11 *Cost Logs to Saw Mill Landing*

At the end of the accounting period all of the log operating expense accounts which make up the total on line Cost Logs at the Main Line of schedule Log Account—Camp Number One (see Figure 8), including the account Inventory—Beginning shown thereon, are credited and

closed into these two accounts according to quantities applicable to each and based upon the average cost of logs, as shown in the Average column on line Cost Logs at the Main Line. These two accounts then represent the total cost of all logs sold from the main line or transferred to the saw mill landing.

In this manner these accounts serve as intermediate accounts between the operating expense accounts and the sales schedule or the manufacturing schedule. This method affords reconciliation accounts with reports and books, and is a much better procedure than closing the numerous expense accounts to other schedules independently.

The debit balance in account 24.10 Cost Logs Sold From Main Line, together with the credit balance in account Camp Number One —Main Line—Gross Sales 21.1, less the debit balance, if any, in account 21.11 Outbound Freight, are carried by net balance only to Profit and Loss Account, subaccount 10.1, item b.

The debit balance in account 24.11 Cost Logs to Saw Mill Landing is a manufacturing cost covering raw material, as shown in schedule, Log Account—Saw Mill Landing, item a.

25. Log Account—Jobbers (Fig. 9)

25.1 *Jobbers' Contracts*

To this account should be charged the cost of logging done by jobbers or contractors under contract or stipulated price. This account should be kept in such a manner as to permit the segregation of such charges according to the names of jobbers or contracts to which such debits apply.

25.2 *Miscellaneous Jobbers' Log Expense*

This account should include the cost of all other expense applicable to jobbers' logs from the stump to the main line and not coming within the terms of the contract.

25.3 *Depletion of Timber—Logs*

To this account should be charged the depletion cost of logs cut by jobbers or contractors, which is concurrently credited to the proper subaccount under 2.2 Timber, applying to timber from which such logs were cut. The depletion is usually based upon the quantity actually shipped out, as shown by the scale of logs loaded on cars or similar method of record.

25.4 *Cost Logs Sold from Jobbers*

—and account—

25.5 *Cost Logs to Saw Mill Landing*

These two accounts should be charged with the cost of all jobbers'

logs sold from the main line or transferred to the saw mill landing, according to the quantities applicable to each. Such debits should be based upon average cost of jobbers' logs, as shown on line Cost Logs at the Main Line (see Figure 9), and closing of the jobbers' operating expense accounts should be made upon the same theory, outlined in the text data relating to accounts 24.10 and 24.11 of Camp Number One.

These two accounts then serve as intermediate accounts between the operating expense accounts of jobbers' logs and the sales schedule or the manufacturing schedule.

Account 25.4 is carried to the sales schedule, Sales of Logs, and closed into Profit and Loss Account, subaccount 10.1, item b, while account 25.5 Cost Logs to Saw Mill Landing is carried to Log Account—Saw Mill Landing, item c, and represents a part of the raw material cost of manufacturing.

Note: No provision has been made in any of the foregoing Jobbers' Log Accounts for inventories of jobbers' logs on hand at any given date. When such inventories exist, the value thereof should be included in an appropriate inventory account placed in the correct position on the schedule and on the books. The inventory value of such logs should take into consideration the location of the logs, viz., in the woods, at the woods landing, and the like.

If jobbers are located on the accounting company's logging railroad and said railroad is used to transport jobbers' logs to the main line or loading point, a group of accounts similar to the railroad expense accounts for Camp Number One should be opened, to which should be charged the railroad operating expenses applicable hereto, based upon the number of cars hauled.

CHAPTER VI

THE CEDAR LOG ACCOUNTS

Many firms desire to keep the cost of cedar logs separate from the cost of other logs. This is especially true when large quantities of cedar are purchased or produced, when shingle mills are operated, or when different depletion rates apply to cedar timber.

The cost accounting outline covering cedar logs does not differ greatly from the procedure followed in the foregoing chapter, except that account titles are changed to signify their relationship to cedar logs, and all expenses pertaining thereto should of course be kept distinctly apart from expenses incurred in the purchase, manufacture, disposition, and sale of other logs.

Figure 10 provides a complete group of accounts covering sales of all cedar logs, including purchased cedar logs sold by direct shipment. On line a the cost of cedar logs sold from Camp Number One is given, and agrees with account 29.7 shown in Figure 12. The cost of cedar logs sold from jobbers, shown on line b, is reflected in account 30.4, and the cost of cedar logs sold from the shingle mill landing is carried to the sales schedule from account 28.6. The Total Gross Profit or Loss on Cedar Logs is shown on line d and agrees with item c of Profit and Loss Account 10.1.

A complete outline of accounts covering the Shingle Mill Landing is shown in Figure 11. Lines a and b provide for the transfer of the cost of cedar logs from Camp Number One and Camp Number Two. Cost of cedar logs from jobbers to the shingle mill landing is entered on line c. Accounts which follow hold the same relationship to this schedule and the products covered as the corresponding accounts in the previous chapter. The Cost Cedar Logs Used in Manufacturing, account 28.8, is carried to Shingles Account, 46, item a, and represents the raw material cost of cedar logs used in the manufacture of shingles.

Figure 12 shows the necessary accounts covering the cost of manufacturing cedar logs at the camp, and as a matter of illustration this schedule is entitled "Camp Number One." The accounts follow the logs step by step, through the entire process of logging, from the

stump to the main line railroad. If cedar logs are placed in rivers or streams or transported to the market or to shingle mill landings by means other than company and main line railroads, accounts should be arranged for that purpose and substituted as mentioned in the foregoing chapter.

In Figure 13 is given a group of accounts devised to cover the expense of jobbers' and contractors' cedar logs from the stump to the main line railroad.

The items included in accounts 28.1, 28.3, and 28.7 should begin with the freight or similar transportation cost of inbound cedar logs (not including transportation on purchased cedar logs) and should end with the expense of placing the cedar logs on the "bull chain" leading into the shingle mill. The items included in accounts 29.1, 29.4, and 29.5 should begin with the expense of cutting down the trees and end with the cedar logs placed on cars at the main line railroad or in the water of rivers or streams, plus cost of depletion, account 29.6.

A separate group of accounts should be kept for each logging camp where cedar logs are produced, and each camp should bear a camp number to be used throughout the life of the camp in its first location. A separate group of accounts should be kept for each shingle mill landing maintained.

The outline given herein for cedar logs, may be used for cost accounting to cover any other logs the species of which are kept separate; for example, veneer logs, cooperage logs, piling, and the like.

TEXT PERTAINING TO CEDAR LOG ACCOUNTS

26. Sales of Cedar Logs (Fig. 10)

26.1 *Camp Number One—Gross Sales*

To this account should be credited all sales of cedar logs from main line railroad at Camp Number One, and such sales may be kept in such a manner as to permit segregation of sales according to sizes of cedar logs, although this is seldom done.

To this account should be charged all adjustments and allowances given customers on sales of cedar logs originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

26.11 Camp Number One—Outbound Freight

To this account should be charged all outbound freight or similar

26. SALES OF CEDAR LOGS

Year Ending December 31, 1927

	Details	*Amount*	*Feet*	*Average*
	CAMP NUMBER ONE—MAIN LINE			
26.1	*Gross Sales,*	$		
26.11	Less: Outbound Freight,			
	Net Sales,			
	a. Cost Cedar Logs Sold from Camp Number One,			
	Gross Profit or Loss	$		
	JOBBERS—MAIN LINE			
26.2	*Gross Sales,*	$		
26.21	Less: Outbound Freight,			
	Net Sales,			
	b. Cost Cedar Logs Sold from Jobbers,			
	Gross Profit or Loss,	$		
	SHINGLE MILL LANDING			
26.3	*Gross Sales,*	$		
26.31	Less: Outbound Freight,			
	Net Sales,			
	c. Cost Cedar Logs Sold from Shingle Mill Landing,			
	Gross Profit or Loss,	$		
	PURCHASED—DIRECT SHIPMENTS			
26.4	*Gross Sales,*	$		
26.41	Less: Outbound Freight,			
	Net Sales,			
	Cost Purchased Cedar Logs Sold:			
27.	PURCHASED, $			
27.1	*Purchase Expense,*			
	Gross Profit or Loss,	$		
1.	TOTAL GROSS PROFIT OR LOSS ON CEDAR LOGS (To Profit and Loss Account 10.1, Item c)	$		

(Losses in red)

FIG. 10

transportation charges on cedar logs sold from the main line railroad at Camp Number One.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

26.2 *Jobbers—Gross Sales*

To this account should be credited all sales of cedar logs from jobbers' main line railroad, and such sales may be kept in such a manner as to permit segregation of sales according to sizes of cedar logs, although this is seldom done.

To this account should be charged all adjustments and allowances given customers on sales of cedar logs originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

26.21 Jobbers—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on cedar logs sold from the main line railroad of jobbers.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

26.3 *Shingle Mill Landing—Gross Sales*

To this account should be credited all sales of cedar logs from the shingle mill landing, and such sales may be kept in such a manner as to permit segregation of sales according to sizes of cedar logs, although this is seldom done.

To this account should be charged all adjustments and allowances given customers on sales of cedar logs originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

26.31 Shingle Mill Landing—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on cedar logs sold from the shingle mill landing.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

28. CEDAR LOG ACCOUNT—SHINGLE MILL LANDING

Year Ending December 31, 1927

Details		*Amount*	*Feet*	*Average*
a. *Cedar Log Account—Camp Number One,*		$		
b. *Cedar Log Account—Camp Number Two,*				
Average of All Camps,				
c. *Cedar Log Account—Jobbers,*				
28.1 Inbound Freight,				
28.2 *Cedar Logs Purchased—To Shingle Mill Landing,*				
28.21 Purchased,	$			
28.22 Purchase Expense,				
28.23 Purchase Freight,				
28.3 *Shingle Mill Landing Expense*				
28.31 Labor,		$		
28.32 Supplies,				
28.33 Expense,				
28.34 Repairs,				
28.4 Plus: *Inventory—Beginning,*				
d. *Cost Cedar Logs at Shingle Mill Landing,*				
28.5 Less: *Inventory—End,*				
28.6 Less: *Cost Cedar Logs Sold from Shingle Mill Landing* (To Sales of Cedar Logs 26, Item c)				
28.7 *Landing to Shingle Mill Expense*				
28.71 Labor,		$		
28.72 Supplies,				
28.73 Expense,				
28.74 Repairs,				
28.8 *Cost Cedar Logs Used in Manufacturing,* (To Shingles Account 46, Item a)		$		

FIG. 11

26.4 *Purchased—Direct Shipments—Gross Sales*

To this account should be credited all sales of cedar logs shipped direct from point of purchase to customer, and no such sales should be included in any other account.

To this account should be charged all adjustments and allowances given customers on sales of logs originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

26.41 Purchased—Direct Shipments—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on cedar logs sold direct from point of purchase to customer, and no such outbound freight should ever be charged to any other outbound freight account.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

COST OF PURCHASED CEDAR LOGS SOLD BY DIRECT SHIPMENTS

27. PURCHASED

To this account should be charged the material cost of all cedar logs purchased for direct shipment from point of purchase to customer, sales of which are reflected in account, 26.4 Purchased—Direct Shipments—Gross Sales.

To this account should be credited all allowances and adjustments received in the material cost of such purchases, provided such credits are made within the same accounting period in which debit applying thereto was made to this account.

27.1 *Purchase Expense*

This account should include all miscellaneous expenses in connection with the purchase of cedar logs for direct shipment.

28. CEDAR LOG ACCOUNT—SHINGLE MILL LANDING (FIG. 11)

28.1 Inbound Freight

To this account should be charged all inbound freight or other transportation charges on cedar logs of the company and of jobbers shipped to and unloaded at the shingle mill landing.

To this account should be credited all refunds of freight or other transportation charges applying to items which have been charged to this account within the same accounting period.

This account should not include any transportation charges on cedar logs coming within the definition of account 28.23 Purchase Freight.

28.2 *Cedar Logs Purchased—To Shingle Mill Landing*

28.21 Purchased

To this account should be charged the material cost of all cedar logs purchased, shipped to, and unloaded at the accounting company's landing at the shingle mill. If more than one cedar log landing is maintained at the shingle mill, and it is desired to keep the purchased logs of each separate, this account may be subdivided for that purpose.

To this account should be credited all allowances and adjustments received covering such purchases as were originally charged to this account, provided such credit is made within the same accounting period as the debit to which it relates.

This account may be kept in such a manner as to permit segregation of all purchased cedar logs according to size, although this is seldom done.

28.22 Purchase Expense

This account should include all miscellaneous expenses in connection with the purchase of cedar logs covered by the foregoing account.

28.23 Purchase Freight

To this account should be charged all inbound freight on cedar logs purchased for, shipped to, and unloaded at the accounting company's landing at the shingle mill. If more than one cedar log landing is maintained at the shingle mill and it is desired to keep the purchase freight of each separate, this account may be subdivided for that purpose.

To this account should be credited all refunds of freight applying to items which have been charged to this account within the same accounting period.

This account may include other inbound transportation charges, such as trucking or rafting service.

28.3 *Shingle Mill Landing Expense*

28.31 Labor

This account should include all labor in connection with cedar logs at the shingle mill landing and may be subdivided if desired to show each class of labor separate, such as: unloading crew, decking crew, cars crew, engine crew, and the like, but should not include any labor

performed on transportation of cedar logs from the landing to the shingle mill.

28.32 Supplies

This account should cover the cost of all supplies used at the shingle mill cedar log landing and may include such items as coal, oil, waste, rope, chain, packing, gaskets, gasoline, sundry hardware, and the like. To this account should also be charged such portions of general and miscellaneous supplies as are applicable to the shingle mill cedar log landing, as shown by concurrent credits to Burden Cost Control supply accounts.

28.33 Expense

This account should cover the cost of all expenses directly chargeable to the shingle mill cedar log landing and should include such portions of general and miscellaneous expenses as are applicable to said landing, as shown by concurrent credits to Burden Cost Control expense accounts.

28.34 Repairs

This account should cover the cost of all repairs directly chargeable to the shingle mill cedar log landing and should include such portions of general and miscellaneous repairs as are applicable to said landing, as shown by concurrent credits to Burden Cost Control repair accounts.

28.4 *Inventory—Beginning*

This account should include the inventory value of all cedar logs on hand at the shingle mill landing at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all logs on hand at the date of the balance sheet, or date of closing, is carried in subaccount 1.73 Inventory of Products—Cedar Logs. At the beginning of the accounting period, following the date of the balance sheet, cedar log inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.73 Inventory of Products—Cedar Logs and charged to this account for all cedar logs at the shingle mill landing. This is done to place the inventories of all cedar logs at the beginning of the period among the proper cedar log operating accounts for the new period.

If cedar logs are in process of transportation between the shingle mill landing and the shingle mill, whether on cars or in the water,

provided such landing is within short distance from the mill, such logs should be included in the inventory as though they were located at the landing on inventory date.

28.5 *Inventory—End*

This account should include the inventory value of all cedar logs on hand at the shingle mill landing at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of the shingle mill log landing and the balance sheet. The inventory value of logs on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.73 Inventory of Products—Cedar Logs, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.73 Inventory of Products—Cedar Logs to account 28.4 Inventory—Beginning.

If cedar logs are in process of transportation between the shingle mill landing and the shingle mill, whether on cars or in the water, provided such landing is within short distance from the mill, such logs should be included in the inventory as though they were located at the landing on inventory date.

Refer to text data at account 1.7 Inventory of Products regarding inventory valuation.

28.6 *Cost Cedar Logs Sold from Shingle Mill Landing*

At the end of the accounting period, when all of the cedar log operating expense accounts covering the Shingle Mill Landing, which make up the footing of Cedar Log Account—Shingle Mill Landing schedule (see Figure 11), including the account Inventory—Beginning shown thereon, are credited and closed into account 28.8 Cost Cedar Logs Used in Manufacturing, the cost of all logs sold from said shingle mill landing should be charged to this account. Such charge should be according to quantities sold and based upon general average cost of cedar logs, before logs are transported to the shingle mill.

28.7 *Landing to Shingle Mill Expense*

28.71 Labor

This account should include all labor in connection with transporting cedar logs from the landing at the shingle mill to the shingle mill, and may be subdivided if desired, to show each class of labor separately, such as: loading crew, unloading crew, train crew, river crew, pond crew, boom crew, tug crew, and the like, but should not include any

labor coming within the definition of account 28.31 Shingle Mill Landing Expense Labor.

28.72 Supplies

29. CEDAR LOG ACCOUNT—CAMP NUMBER ONE

Year Ending December 31, 1927

	Details	*Amount*	*Feet*	*Average*
	Cut from the stump—Feet,			
29.1	*Stump to Woods Landing Expense*			
29.11	Labor,	$		
29.12	Supplies,			
29.13	Expense,			
29.14	Repairs,			
29.2	Plus: *Inventory—Beginning,*			
	Cost Cedar Logs at the Woods Landing			
29.3	Less: *Inventory—End,*			
29.4	*Shipping Expense*			
29.41	Labor,	$		
29.42	Supplies,			
29.43	Expense,			
29.44	Repairs,			
	Cost Cedar Logs on Cars			
29.5	*Railroad Expense*			
29.51	Operation,	$		
29.52	Repairs,			
29.53	Depreciation,			
29.6	*Depletion of Timber—Cedar Logs,*			
	Cost Cedar Logs at the Main Line,			
29.7	Less: *Cost Cedar Logs Sold from Main Line,* (To Sales of Cedar Logs 26, Item a)			
29.8	*Cost Cedar Logs to Shingle Mill Landing,* (To Cedar Log Account 28, Item a)	$		

FIG. 12

This account should cover the cost of all supplies used in connection with transportation of logs from the landing at the shingle mill

to the shingle mill. To this account should also be charged such portions of general and miscellaneous supplies as are applicable to the transportation of logs to the shingle mill, as shown by concurrent credits to Burden Cost Control supply accounts.

28.73 Expense

This account should cover the cost of all expenses directly chargeable to the transportation of logs from the shingle mill log landing to the shingle mill and should include such portions of general and miscellaneous expenses as are applicable to this operation, as reflected by concurrent credits to Burden Cost Control expense accounts.

28.74 Repairs

This account should cover the cost of all repairs directly chargeable to the transportation of cedar logs from the shingle mill log landing to the shingle mill and should include such portions of general and miscellaneous repairs as are applicable to this operation, as shown by concurrent credits to Burden Cost Control repair accounts.

28.8 *Cost Cedar Logs Used in Manufacturing*

At the end of the accounting period all of the cedar log operating accounts covered by schedule Cedar Log Account—Shingle Mill Landing (see Figure 11), including the account Inventory—Beginning shown thereon, are credited and closed into this account, which then represents the total cost of cedar logs used in manufacturing. (Account 28.6 Cost Cedar Logs Sold from Shingle Mill Landing is of course not closed into this account, but is in itself charged with all logs sold from the shingle mill landing, on the basis of average cost shown just below the line drawn under account 28.5.)

In this manner this account serves as an intermediate account between the operating accounts of the shingle mill landing and the cost of manufacturing shingles. It is a summary of all costs which make up the cost of the raw material used in manufacturing, and same is carried to schedule Shingles Account—Shingle Mill and Shingle Yard, Figure 25, item a.

29. Cedar Log Account—Camp Number One (Fig. 12)

29.1 *Stump to Woods Landing Expense*

This account should cover the cost of all expenses directly chargeable to cedar logs from the stump to the woods landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

29.11 Labor
29.12 Supplies
29.13 Expense
29.14 Repairs

These subaccounts may be further subdivided to meet the requirements of each particular logging condition. For example, labor may be classified as Cutting, Swamping, Skidding, Loading, Hauling, Unloading, Decking, and the like.

29.2 *Inventory—Beginning*

This account should include the inventory value of all cedar logs on hand at the woods landing at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all cedar logs on hand at the date of the balance sheet or date of closing is carried in subaccount 1.73 Inventory of Products—Cedar Logs. At the beginning of the accounting period, following the date of the balance sheet, cedar log inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.73 Inventory of Products—Cedar Logs and charged to this account for all logs at the woods landing. This is done to place the inventories of all cedar logs at the beginning of the period among the proper cedar log operating accounts of the new period.

29.3 *Inventory—End*

This account should include the inventory value of all cedar logs on hand at the woods landing at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of the woods and woods landing and the balance sheet. The inventory value of logs on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.73 Inventory of Products—Cedar Logs, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.73 Inventory of Products—Cedar Logs to account 29.2 Inventory—Beginning.

29.4 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of cedar logs from the woods landing and should

include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

29.41 Labor
29.42 Supplies
29.43 Expense
29.44 Repairs

These subaccounts may be further subdivided to meet the requirements of each particular shipping condition. If in place of loading cedar logs for shipment by rail they are placed in water for transportation, the accounts should be arranged accordingly but the general outline should not be changed.

29.5 *Railroad Expense*

The logging railroad is usually operated for the benefit of all forest products, and the cost is distributed on the basis of cars of each product so transported.

30. CEDAR LOG ACCOUNT—JOBBERS

Year Ending December 31, 1927

	Details	*Amount*	*Feet*	*Average*
30.1	*Jobbers' Contracts,* (List names of all jobbers here, with amounts paid each, production, and average cost of each in the columns to the right)	$		
	Average—All Contracts,			
30.2	*Miscellaneous Jobbers' Cedar Log Expense,*			
30.3	*Depletion of Timber—Cedar Logs,*			
	Cost Cedar Logs at the Main Line			
30.4	Less: *Cost Cedar Logs Sold from Jobbers,* (To Sales of Cedar Logs 26, Item b)			
30.5	*Cost Cedar Logs to Shingle Mill Landing* (To Cedar Log Account 28, Item c)	$		

FIG. 13

This account should include such portions of the logging railroad expense as are applicable to the hauling of cedar logs, as shown by

the allocation of the Burden Cost Control covering the railroad operation.

Such burden charges should be subdivided in the following order:

29.51 Operation
29.52 Repairs
29.53 Depreciation

29.6 *Depletion of Timber—Cedar Logs*

To this account should be charged the depletion cost of cedar logs which is concurrently credited to the proper subaccount under 2.2 Timber, applying to timber from which such cedar logs were cut. The depletion should be based upon the quantity actually shipped out, as shown by the scale of cedar logs loaded on cars and transported over the logging railroad or by similar methods of measurement.

29.7 *Cost Cedar Logs Sold from Main Line*

—and account—

29.8 *Cost Cedar Logs to Shingle Mill Landing*

At the end of the accounting period all of the cedar log operating accounts which make up the total on line Cost Cedar Logs at Main Line of schedule Cedar Log Account—Camp Number One (see Figure 12), including the account Inventory—Beginning shown thereon, are credited and closed into these two accounts according to quantities applicable to each and based upon the average cost of logs, as shown in the Average column, on line Cost Cedar Logs at the Main Line. These two accounts then represent the total cost of all cedar logs sold from the main line of Camp Number One or transferred to the shingle mill landing.

In this manner these accounts serve as intermediate accounts between the operating expense accounts and the sales schedule or the manufacturing schedule of the shingle mill. This method affords reconciliation accounts with reports and books and is a much better procedure than closing the numerous expense accounts to other schedules independently.

The debit balance in account 29.7 Cost Logs Sold from Main Line, together with the credit balance in account Camp Number One—Main Line—Gross Sales 26.1, less the debit balance, if any, in account 26.11 Outbound Freight, are carried by net balance only to Profit and Loss Account, subaccount 10.1, item c.

The debit balance in account 29.8 Cost Cedar Logs to Shingle Mill

Landing is a manufacturing cost covering raw material, as shown in schedule Shingles Account—Shingle Mill and Shingle Yard, item a.

30. Cedar Log Account—Jobbers (Fig. 13)

30.1 *Jobbers' Contracts*

To this account should be charged the cost of logging done by jobbers or contractors under contract or stipulated price. This account should be kept in such a manner as to permit segregation of such charges according to name of jobber or contractor to whom such debits apply.

30.2 *Miscellaneous Jobbers' Cedar Log Expense*

This account should include the cost of all other expense applicable to jobbers' cedar logs from the stump to the main line and not coming within the terms of the contract.

30.3 *Depletion of Timber—Cedar Logs*

To this account should be charged the depletion cost of cedar logs cut by jobbers or contractors, which is concurrently credited to the proper subaccount under 2.2 Timber, applying to the timber from which such logs were cut. The depletion is usually based upon the quantity actually shipped out, as shown by the scale of logs loaded on cars or similar method of record.

30.4 *Cost Cedar Logs Sold from Jobbers*

—and account—

30.5 *Cost Cedar Logs to Shingle Mill Landing*

These two accounts should be charged with the cost of all jobbers' cedar logs sold from the main line or transferred to the shingle mill landing, according to the quantities applicable to each. Such debits should be based upon average cost of jobbers' cedar logs, as shown on line Cost Cedar Logs At the Main Line (see Figure 13), and closing of the jobbers' operating expense accounts should be made upon the same theory, outlined in the text data relating to accounts 29.7 and 29.8 of Camp Number One.

These two accounts then serve as intermediate accounts between the operating expense accounts of jobbers' logs and the sales schedule or the manufacturing schedule.

Account 30.4 is carried to the sales schedule, Sales of Cedar Logs, and closed into Profit and Loss Account, subaccount 10.1, item c, while account 30.5 Cost Logs to Shingle Mill Landing is carried to Cedar Log Account—Shingle Mill Landing, item c, and represents a portion of the raw material cost of manufacturing.

Note: No provision has been made in any of the foregoing jobbers' cedar log accounts for inventories of jobbers' cedar logs on hand at any given date. When such inventories exist, the value thereof should be included in an appropriate inventory account placed in the correct position on the schedule and on the books. The inventory value of such logs should take into consideration the location of the logs, viz., in the woods, at the woods landing, and the like.

If jobbers are located on the accounting company's logging railroad, and said railroad is used to transport jobbers' cedar logs to the main line or loading point, a group of accounts arranged similar to the railroad expense accounts for Camp Number One should be opened, to which should be charged the railroad operating expenses applicable hereto, based upon the number of cars hauled.

CHAPTER VII

THE CEDAR POSTS ACCOUNTS

The raw material of this department consists of standing cedar timber; the finished product consists of cedar posts. Cedar posts are disposed of peeled or unpeeled, treated or untreated, and the accounting outline given herein should provide for each step of manufacture and remanufacture.

Figure 14 provides a group of accounts covering the sales of cedar posts from the Camp, Jobbers, Cedar Post Yard, and Purchased Direct Shipments. Profit and Loss is computed separately for each group of sales. Total Gross Profit or Loss on Cedar Posts is shown on line d, at the footing of the schedule, and agrees with item d in the Profit and Loss Account 10.1.

A complete cost procedure covering cedar posts in the cedar post yard is shown in Figure 15, and follows each item of expense step by step from the arrival of the posts at the yard (company, jobber, and purchased posts) to their final disposition or sale. The schedule is footed and closed into account 33.7 Cost Cedar Posts Sold from Cedar Post Yard, which amount should agree with item c of the Sales of Cedar Posts, schedule 31.

Figure 16 shows the necessary accounts for proper cost finding of cedar posts manufactured at Camp Number One, and with slight revision perhaps should meet the requirements of most operators. Many firms have no set-up in their timber accounts covering depletion on cedar posts. However, for those firms who have made such a division in their timber values, account 34.6 Depletion of Timber—Cedar Posts has been devised to cover the cost.

Accounts for jobbers' or contractors' cedar posts are shown in Figure 17, and the depletion of that timber is covered by account 35.3.

A separate group of accounts should be kept for each logging camp where cedar posts are manufactured. Likewise a separate group should be kept for each cedar post yard maintained, provided such yard is of sufficient size, or the volume of production large enough, to warrant individual accounts.

Treating or remanufacturing expense of cedar posts at the cedar post yard should be included in account group 33.3 Cedar Post Yard Expense. If posts are treated or remanufactured at the camp, such expense should be included in the Stump to Woods Landing Expense of the proper camp. Subaccounts may of course be kept wherever practical.

The same rules applying to the transportation of logs and cedar logs to the mill landings by means other than company and main line railroads should apply to the transportation of cedar posts. When trucks are engaged to haul cedar posts from the woods operations to the cedar post yard in place of railroads, the cost of operating such trucks should be included in an account appropriately named and substituted for account 33.1 Inbound Freight.

TEXT PERTAINING TO CEDAR POSTS ACCOUNTS

31. Sales of Cedar Posts (Fig. 14)

31.1 *Camp Number One—Gross Sales*

To this account should be credited all sales of cedar posts from main line railroad at Camp Number One, and such sales may be kept in such a manner as to permit segregation of sales according to sizes of cedar posts if this is desired.

To this account should be charged all adjustments and allowances given customers on sales of cedar posts originally credited to this account, provided such charges are made within the same accounting period in which the sale relating thereto was entered in this account.

31.11 Camp Number One—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on cedar posts sold from the main line railroad at Camp Number One.

To this account should be credited all refunds on outbound transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was debited to this account.

31.2 *Jobbers—Gross Sales*

To this account should be credited all sales of cedar posts from jobbers' main line railroad, and such sales may be kept in such a manner as to permit segregation of sales according to sizes of cedar posts if this is desired.

To this account should be charged all adjustments and allowances given customers on sales of cedar posts originally credited to this ac-

31. SALES OF CEDAR POSTS

Year Ending December 31, 1927

	Details	*Amount*	*Pieces*	*Average*
	CAMP NUMBER ONE—MAIN LINE			
31.1	*Gross Sales,*	$		
31.11	Less: Outbound Freight,			
	Net Sales,			
	a. Cost Cedar Posts Sold from Camp Number One,			
	Gross Profit or Loss,	$		
	JOBBERS—MAIN LINE,			
31.2	*Gross Sales,*	$		
31.21	Less: Outbound Freight,			
	Net Sales,			
	b. Cost Cedar Posts Sold from Jobbers,			
	Gross Profit or Loss,	$		
	CEDAR POST YARD			
31.3	*Gross Sales,*	$		
31.31	Less: Outbound Freight,			
	Net Sales,			
	c. Cost Cedar Posts Sold from Cedar Post Yard,			
	Gross Profit or Loss,	$		
	PURCHASED—DIRECT SHIPMENT			
31.4	*Gross Sales,*	$		
31.41	Less: Outbound Freight,			
	Net Sales,			
	Cost Purchased Cedar Posts Sold:			
32.	PURCHASED, $			
32.1	*Purchase Expense,*			
	Gross Profit or Loss,	$		
	d. TOTAL GROSS PROFIT OR LOSS ON CEDAR POSTS, (To Profit and Loss Acount 10.1, Item d)	$		
	(Losses in red)			

FIG. 14

count, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

31.21 Jobbers—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on cedar posts sold from the main line railroad of jobbers.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was debited to this account.

31.3 *Cedar Post Yard—Gross Sales*

To this account should be credited all sales of cedar posts from the cedar post yard, and such sales may be kept in such a manner as to permit segregation of sales according to sizes of cedar posts if this is desired.

To this account should be charged all adjustments and allowances given customers on sales of cedar posts originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

If more than one cedar post yard is maintained, and it is desired to keep the sales of each separate, this account may be subdivided for that purpose.

31.31 Cedar Post Yard—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on cedar posts from the cedar post yard. If more than one yard is operated, and it is desired to keep the outbound freight of each separate, this account may be subdivided for that purpose.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

31.4 *Purchased—Direct Shipments—Gross Sales*

To this account should be credited all sales of cedar posts shipped direct from point of purchase to customer, and no such sales should be included in any other account.

To this account should be charged all adjustments and allowances given customers on sales of cedar posts originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

31.41 Purchased—Direct Shipments—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on cedar posts sold direct from point of pur-

33. CEDAR POST ACCOUNT—CEDAR POST YARD

Year Ending December 31, 1927

Details	*Amount*	*Pieces*	*Average*
a. *Cedar Post Account—Camp Number One,*	$		
b. *Cedar Post Account—Camp Number Two,*			
Average of All Camps,			
c. *Cedar Post Account—Jobbers,*			
33.1 Inbound Freight,			
33.2 *Cedar Posts Purchased—To Cedar Post Yard,*			
33.21 Purchased, $			
33.22 Purchase Expense,			
33.23 Purchase Freight,			
33.3 *Cedar Post Yard Expense*			
33.31 Labor,	$		
33.32 Supplies,			
33.33 Expense,			
33.34 Repairs,			
33.4 Plus: *Inventory—Beginning,*			
Cost Cedar Posts at Cedar Post Yard,			
33.5 Less: *Inventory—End,*			
33.6 *Shipping Expense*			
33.61 Labor,	$		
33.62 Supplies,			
33.63 Expense,			
33.64 Repairs,			
33.7 *Cost Cedar Posts Sold from Cedar Post Yard,* (To Sales of Cedar Posts 31, Item c)	$		

FIG. 15

chase to customer, and no such outbound transportation charges should ever be charged to any other outbound freight account.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

COST OF PURCHASED CEDAR POSTS SOLD BY DIRECT SHIPMENTS

32. PURCHASED

To this account should be charged the material cost of all cedar posts purchased for direct shipment from point of purchase to customer, sales of which are reflected in account 31.4 Purchased—Direct Shipments—Gross Sales.

To this account should be credited all allowances and adjustments received in the material cost of such purchases, provided such credits are made within the same accounting period in which debit applying thereto was made to this account.

32.1 *Purchase Expense*

This account should include all miscellaneous expenses in connection with the purchase of cedar posts for direct shipment.

33. CEDAR POST ACCOUNT—CEDAR POST YARD (FIG. 15)

33.1 Inbound Freight

To this account should be charged all inbound freight or other transportation charges on cedar posts of the company and of jobbers shipped to and unloaded in the cedar post yard.

To this account should be credited all refunds of freight or other transportation charges received applying to items which were originally charged to this account within the same accounting period.

This account should not include any transportation charges on cedar posts coming within the definition of account 33.23 Purchase Freight.

33.2 *Cedar Posts Purchased—To Cedar Post Yard*

33.21 Purchased

To this account should be charged the material cost of all cedar posts purchased, shipped to and unloaded in the accounting company's cedar post yard. If more than one cedar post yard is operated, and it is desired to keep the purchased posts of each separate, this account may be subdivided for that purpose.

To this account should be credited all allowances and adjustments received covering such purchases, provided such credits are made within the same accounting period as the debit to which they relate.

This account may be kept in such a manner as to permit the segrega-

tion of all purchased cedar posts, according to size and grade, if it is desired to do so.

33.22 Purchase Expense

This account should include all miscellaneous expenses in connection with the purchase of cedar posts covered by the foregoing account.

33.23 Purchase Freight

To this account should be charged all inbound freight or other transportation charges on cedar posts purchased, shipped to and unloaded in the accounting company's cedar post yard. If more than one cedar post yard is maintained, and it is desired to keep the expense of each separate, this account may be subdivided to assist in that purpose.

To this account should be credited all refunds of transportation charges received, provided same are entered in this account within the corresponding accounting period as the debit to which they relate.

33.3 *Cedar Post Yard Expense*

This account should cover the cost of all expenses directly chargeable to the cedar post yard, and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

33.31 Labor
33.32 Supplies
33.33 Expense
33.34 Repairs

These subaccounts may be further divided to meet the requirements of each particular organization. For example, labor may be classified as Inspecting Posts, Hauling Posts, Piling Posts, Peeling Posts, and the like.

33.4 *Inventory—Beginning*

This account should include the inventory value of all cedar posts on hand in the cedar post yard at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all cedar posts on hand at the date of the balance sheet or date of closing is carried in subaccount 1.74 Inventory of Products —Cedar Posts. At the beginning of the succeeding accounting period, following the date of the balance sheet, cedar post inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.74 Inventory of Products—Cedar

Posts and charged to this account for all cedar posts in the cedar post yard. This is done to place the inventories of all cedar posts at the

34. CEDAR POST ACCOUNT—CAMP NUMBER ONE

Year Ending December 31, 1927

	Details	*Amount*	*Pieces*	*Average*
	Cut from the stump—Pieces,			
34.1	*Stump to Woods Landing Expense*			
34.11	Labor,	$		
34.12	Supplies,			
34.13	Expense,			
34.14	Repairs,			
34.2	Plus: *Inventory—Beginning,*			
	Cost Cedar Posts at the Woods Landing,			
34.3	Less: *Inventory—End,*			
34.4	*Shipping Expense*			
34.41	Labor,	$		
34.42	Supplies,			
34.43	Expense,			
34.44	Repairs,			
	Cost Cedar Posts on Cars,			
34.5	*Railroad Expense*			
34.51	Operation,	$		
34.52	Repairs,			
34.53	Depreciation,			
34.6	*Depletion of Timber—Cedar Posts,*			
a.	*Cost Cedar Posts at the Main Line,*			
34.7	Less: *Cost Cedar Posts Sold from Main Line,* (To Sales of Cedar Posts 31, Item a)			
34.8	*Cost Cedar Posts to Cedar Post Yard,* (To Cedar Post Account 33, Item a)	$		

FIG. 16

beginning of the period among the proper cedar post operating accounts of the new period.

33.5 *Inventory—End*

This account should include the inventory value of all cedar posts on hand at the cedar post yard at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of the cedar post yard and the balance sheet. The inventory value of cedar posts on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.74 Inventory of Products—Cedar Posts, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.74 Inventory of Products—Cedar Posts to account 33.4 Inventory—Beginning.

Refer to text data at account 1.7 Inventory of Products for information regarding inventory valuations.

33.6 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of cedar posts from the cedar post yard and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

33.61 Labor
33.62 Supplies
33.63 Expense
33.64 Repairs

These subaccounts may be further divided to meet the requirements of each particular organization. For example, labor may be classified as Hauling Posts, Loading Posts in Cars, Sorting Posts in Cars, and the like.

33.7 *Cost Cedar Posts Sold from Cedar Post Yard*

At the end of the accounting period all the cedar post yard operating accounts which make up the footing of Cedar Post Account—Cedar Post Yard schedule (see Figure 15), including the account Inventory —Beginning shown thereon, are credited and closed into this account, which then represents the total cost of all cedar posts sold from the cedar post yard.

In this manner this account serves as an intermediate account between the operating expense accounts of the cedar post yard and Profit

and Loss. It is a much better method than clearing the numerous operating accounts directly into Profit and Loss and affords a reconciliation account with reports and books.

The debit balance in this account, together with the credit balance in account 31.3 Cedar Post Yard—Gross Sales, and the debit balance, if any, in account 31.31 Outbound Freight, are carried by net balance only to Profit and Loss Account, subaccount 10.1, item d.

34. Cedar Post Account—Camp Number One (Fig. 16)

34.1 *Stump to Woods Landing Expense*

This account should cover the cost of all expenses directly chargeable to cedar posts from the stump to the woods landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

34.11 Labor
34.12 Supplies
34.13 Expense
34.14 Repairs

These subaccounts may be further divided to meet the requirements of each particular woods conditions. For example, labor may be classified as, Cutting Posts, Skidding Posts, Hauling Posts, Peeling Posts, or expense may be subdivided as Boarding Expense, Teams Expense, and the like.

34.2 *Inventory—Beginning*

This account should include the inventory value of all cedar posts on hand at the woods landing at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all cedar posts on hand at the date of the balance sheet, or date of closing, is carried in subaccount 1.74 Inventory of Products —Cedar Posts. At the beginning of the accounting period, following the date of the balance sheet, cedar post inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.74 Inventory of Products—Cedar Posts and charged to this account for all cedar posts at the woods landing. This is done to place the inventories of all cedar posts at the beginning of the period among the proper cedar post operating accounts of the new period.

34.3 *Inventory—End*

This account should include the inventory value of all cedar posts on hand at the woods landing at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of cedar posts in the woods and the balance sheet. The inventory value of cedar posts on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.74 Inventory of Products—Cedar Posts, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.74 to account 34.2 Inventory—Beginning.

34.4 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of cedar posts from the woods landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

34.41 Labor
34.42 Supplies
34.43 Expense
34.44 Repairs

These subaccounts may be further divided to meet the requirements of each particular operating condition.

34.5 *Railroad Expense*

The logging railroad is usually operated for the benefit of all forest products, and the cost is distributed on the basis of cars hauled.

This account should include such portions of the logging railroad expense as is applicable to the hauling of cedar posts, as shown by the allocation of the Burden Cost Control covering the railroad operation.

Such burden charges should be subdivided in the following order:

34.51 Operation
34.52 Repairs
34.53 Depreciation

34.6 *Depletion of Timber—Cedar Posts*

To this account should be charged the depletion cost of cedar posts

which is concurrently credited to the proper subaccount under 2.2 Timber, applying to timber from which such cedar posts were cut. The depletion should be based upon the quantity actually shipped out, as shown by the scale or tally of cedar posts loaded on cars and transported over the logging railroad or by similar methods of measurement. If there has been no set-up in the timber account to cover the cost or appraised value of cedar posts, there would of course be no depletion charge to this account.

35. CEDAR POST ACCOUNT—JOBBERS

Year Ending December 31, 1927

	Details	*Amount*	*Pieces*	*Average*
35.1	*Jobbers Contracts,* (List names of all jobbers here, with amounts paid each, production, and average cost of each in the columns to the right)	$		
	Average—All Contracts,			
35.2	*Miscellaneous Jobbers' Cedar Post Expense,*			
35.3	*Depletion of Timber—Cedar Posts,*			
	Cost Cedar Posts at the Main Line,			
35.4	Less: *Cost Cedar Posts Sold from Jobbers,* (To Sales of Cedar Posts 31, Item b)			
35.5	*Cost Cedar Posts to Cedar Post Yard,* (To Cedar Post Account 33, Item c)	$		

FIG. 17

34.7 *Cost Cedar Posts Sold from Main Line*

—and account—

34.8 *Cost Cedar Posts to Cedar Post Yard*

At the end of the accounting period all of the cedar post operating accounts which make up the total on line Cost Cedar Posts at the Main Line, of schedule Cedar Post Account—Camp Number One (see Figure 16), including the account Inventory—Beginning shown thereon, are credited and closed into these two accounts according to quantities applicable to each, and based upon the average cost of cedar posts as shown in the Average column, on line Cost Cedar Posts at the Main Line. These two accounts then represent the total cost of all cedar posts sold from the main line of Camp Number One or transported to the cedar post yard.

In this manner these two accounts serve as intermediate accounts between the operating expense accounts of Camp Number One and the sales schedule or the cedar post yard schedule and accounts. This method affords reconciliation accounts with reports and books and is a much better procedure than closing the numerous expense accounts to other schedules independently.

The debit balance in account 34.7 Cost Cedar Posts Sold from Main Line, together with the credit balance in account Camp Number One—Main Line—Gross Sales 31.1, less the debit balance, if any, in account 31.11 Outbound Freight, are carried by net balance only to Profit and Loss Account, subaccount 10.1, item d.

The debit balance in account 34.8 Cost Cedar Posts to Cedar Post Yard is a raw material cost of cedar posts to the cedar post yard, as shown by schedule Cedar Post Account—Cedar Post Yard, item a.

35. Cedar Post Account—Jobbers (Fig. 17)

35.1 *Jobbers' Contracts*

To this account should be charged the cost of all work done by jobbers or contractors on logging cedar posts under contract or stipulated price. This account should be kept in such a manner as to permit segregation of such charges according to name of jobber or contractor to whom such debits apply.

35.2 *Miscellaneous Jobbers' Cedar Post Expense*

This account should include the cost of all other expense applicable to jobbers' cedar posts from the stump to the main line and not coming within the terms of the contract.

35.3 *Depletion of Timber—Cedar Posts*

To this account should be charged the depletion cost of cedar posts cut by jobbers or contractors, which is concurrently credited to the proper subaccount under 2.2 Timber, applying to the timber from which such cedar posts were cut. The depletion is usually based upon the quantity actually shipped out over the logging railroad as shown by the scales or tally of cedar posts loaded on cars or by similar method of measurement. If there has been no set-up in the timber account to cover the cost or appraised value of cedar posts, there would of course be no depletion charge to this account.

35.4 *Cost Cedar Posts Sold from Jobbers*

—and account—

35.5 *Cost Cedar Posts to Cedar Post Yard*

These two accounts should be charged with the cost of all jobbers' cedar posts sold from the main line or transferred to the cedar post

yard, according to the quantities applicable to each. Such debits should be based upon average cost of jobbers' cedar posts as shown on line Cost Cedar Posts at the Main Line (see Figure 17), and closing of the jobbers' operating expense accounts should be made upon the same theory outlined in the text data relating to accounts 34.7 and 34.8 of Camp Number One.

These two accounts then serve as intermediate accounts between the operating expense accounts of jobbers' cedar posts and the sales schedule or the cedar post yard schedule.

Account 35.4 is carried to the sales schedule, Sales of Cedar Posts—Jobbers—Main Line, and closed into Profit and Loss Account, subaccount 10.1, item d, while account 35.5 Cost Cedar Posts to Cedar Post Yard is carried to Cedar Post Account—Cedar Post Yard, item c, and represents a part of the material cost of posts in the cedar post yard.

Note: No provision has been made in any of the foregoing jobbers' cedar post accounts for inventories of jobbers' cedar posts on hand at any given date. When such inventories exist, the value thereof should be included in an appropriate inventory account placed in the correct position on the schedule and on the books. The inventory value of such cedar posts should take into consideration the location of the posts, viz., in the woods, at the woods landing, and the like.

If jobbers are located on the accounting company's logging railroad, and said railroad is used to transport any or all of jobbers' cedar posts to the main line or loading point, a group of accounts arranged similar to the railroad expense accounts for Camp Number One should be opened, to which should be charged the railroad operating expenses applicable hereto based upon the number of cars hauled.

CHAPTER VIII

THE CEDAR POLES ACCOUNTS

This chapter is devoted to the schedules and accounts usually necessary in order to provide appropriate cost and profit and loss figures for firms who purchase, manufacture, remanufacture, treat, and sell cedar poles.

The outline covering accounts of cedar poles follows very closely the accounts prescribed in the previous chapter, covering cedar posts. Account titles and numbers of course are changed to show their relationship to cedar poles, and all items pertaining thereto should be kept distinctly separate from cedar posts accounts. This fact cannot be too clearly understood by everyone in the organization responsible for the correct distribution of costs.

Figure 18 provides for a complete group of accounts covering the sales of cedar poles, and like the sales schedules shown in the foregoing chapters, Profit and Loss is computed separately for each division of sales. This method affords an opportunity for determining how the various groups of sales compare with each other in gross profit or gross loss. The benefits are obvious.

A complete group of accounts covering the Cedar Pole Yard is shown in Figure 19. Costs of cedar poles from Camp Number One, Camp Number Two, and Jobbers are carried to lines a, b, and c, respectively. Account 38.1 Inbound Freight follows, succeeded by account 38.2 Cedar Poles Purchased—To Cedar Pole Yard. Yarding expense and inventory accounts follow, which, succeeded by Shipping Expense account 38.6, give a total cost of poles sold from the cedar pole yard; this is reflected in account 38.7 at the footing of the schedule.

Figure 20 gives an appropriate outline of cost procedure, covering the manufacture of cedar poles at Camp Number One, and a similar outline of accounts should be kept for each logging camp where cedar poles are manufactured. Beginning with account 39.1 Stump to Woods Landing Expense, followed by the inventory accounts 39.2 and 39.3, and next by accounts 39.4 Shipping Expense and 39.5 Railroad Expense, plus account 39.6 Depletion of Timber—Cedar Poles, we get a Cost of Cedar Poles at the Main Line as item a. At this point account

39.7 is deducted to cover the cost of poles sold from the main line, and the balance of the cost, as reflected in account 39.8 Cost Cedar Poles to Cedar Pole Yard, gives the value of the poles transferred to the Cedar Yard. The poles have traveled through the entire process of manufacture, and the accounts were arranged to meet each step of cost as it entered into the production of this product at Camp Number One.

Figure 21 provides a group of accounts to cover the cost of jobbers' or contractors' poles, and for operations producing large quantities of cedar poles by contracted labor the accounts shown in this schedule may be subdivided when necessary.

Treating or remanufacturing expense of cedar poles at the camp should be included in account group 39.1 Stump to Woods Landing Expense, while similar expense at the cedar pole yard may be included in account group 38.3 Cedar Pole Yard Expense; subaccounts to be opened where necessary.

The same rules applying to the transportation of other forest products, by means other than railroads, should of course apply to the transportation of cedar poles. A separate group of accounts should be kept for each cedar pole yard operated.

TEXT PERTAINING TO CEDAR POLES ACCOUNTS

36. Sales of Cedar Poles (Fig. 18)

36.1 *Camp Number One—Gross Sales*

To this account should be credited all sales of cedar poles from main line railroad at Camp Number One, and such sales may be kept in such a manner as to permit segregation of poles according to sizes and grades if this is desired.

To this account should be charged all adjustments and allowances given customers on sales of cedar poles originally credited to this account, provided such charges are made within the same accounting period in which the sale relating thereto was entered in this account.

36.11 Camp Number One—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on cedar poles sold from the main line railroad at Camp Number One.

To this account should be credited all refunds received on outbound transportation charges originally charged to this account, provided such

36. SALES OF CEDAR POLES

Year Ending December 31, 1927

Details	*Amount*	*Pieces*	*Average*
CAMP NUMBER ONE—MAIN LINE,			
36.1 *Gross Sales,*	$		
36.11 Less: Outbound Freight,			
Net Sales,			
a. Cost Cedar Poles Sold from Camp Number One			
Gross Profit or Loss,	$		
JOBBERS—MAIN LINE			
36.2 *Gross Sales,*	$		
36.21 Less: Outbound Freight,			
Net Sales,			
b. Cost Cedar Poles Sold from Jobbers,			
Gross Profit or Loss,	$		
CEDAR POLE YARD			
36.3 *Gross Sales,*	$		
36.31 Less: Outbound Freight,			
Net Sales			
c. Cost Cedar Poles Sold from Cedar Pole Yard,			
Gross Profit or Loss,	$		
PURCHASED—DIRECT SHIPMENTS			
36.4 *Gross Sales,*	$		
36.41 Less: Outbound Freight,			
Net Sales,			
Cost Purchased Cedar Poles Sold:			
37. PURCHASED, $			
37.1 *Purchase Expense,*			
Gross Profit or Loss,	$		
d. TOTAL GROSS PROFIT OR LOSS ON CEDAR POLES, (To Profit and Loss Account 10.1, Item e)	$		

(Losses in red)

FIG. 18

credits are made within the same accounting period as the debit to which they relate.

36.2 *Jobbers—Gross Sales*

To this account should be credited all sales of cedar poles from jobbers' main line railroad, and such sales may be kept in such a manner as to permit segregation of poles according to sizes and grades if this is desired.

To this account should be charged all adjustments and allowances given customers on sales of cedar poles originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

36.21 Jobbers—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on cedar poles sold from the main line railroad of jobbers.

To this account should be credited all refunds received on outbound transportation charges, provided such credits are made within the same accounting period in which the original charge applying thereto was made to this account.

36.3 *Cedar Pole Yard—Gross Sales*

To this account should be credited all sales of cedar poles from the cedar pole yard, and such sales may be kept in such a manner as to permit segregation of sales according to sizes and grades of cedar poles if this is desired.

To this account should be charged all adjustments and allowances given customers on sales of cedar poles originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

If more than one cedar pole yard is maintained, and it is desired to keep the sales of each separate, this account may be subdivided for that purpose.

36.31 Cedar Pole Yard—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on cedar poles from the cedar pole yard. If more than one cedar pole yard is operated, and it is desired to keep the outbound transportation charges of each separate, this account may be subdivided for that purpose.

To this account should be credited all refunds on outbound transportation charges received, provided such credits are made within the

same accounting period in which the original charge applying thereto was entered in this account.

38. CEDAR POLE ACCOUNT—CEDAR POLE YARD

Year Ending December 31, 1927

Details		*Amount*	*Pieces*	*Average*
a. *Cedar Pole Account—Camp Number One,*		$		
b. *Cedar Pole Account—Camp Number Two,*				
Average of All Camps,				
c. *Cedar Pole Account—Jobbers,*				
38.1 Inbound Freight,				
38.2 *Cedar Poles Purchased—To Cedar Pole Yard,*				
38.21 Purchased,	$			
38.22 Purchase Expense,				
38.23 Purchase Freight,				
38.3 *Cedar Pole Yard Expense*				
38.31 Labor,		$		
38.32 Supplies,				
38.33 Expense,				
38.34 Repairs,				
38.4 Plus: *Inventory—Beginning*				
Cost Cedar Poles at Cedar Pole Yard				
38.5 Less: *Inventory—End,*				
38.6 *Shipping Expense*				
38.61 Labor,		$		
38.62 Supplies,				
38.63 Expense,				
38.64 Repairs,				
38.7 *Cost Cedar Poles Sold from Cedar Pole Yard,* (To Sales of Cedar Poles 36, Item c)		$		

FIG. 19

36.4 *Purchased—Direct Shipments—Gross Sales*

To this account should be credited all sales of cedar poles shipped

direct from point of purchase to customer, and no such sales should be included in any other account.

To this account should be charged all adjustments and allowances given customers on sales of cedar poles originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

36.41 Purchased—Direct Shipments—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on cedar poles sold direct from point of purchase to customer, and no such outbound transportation charges should ever be charged to any other outbound freight account.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

Cost of Purchased Cedar Poles Sold by Direct Shipments

37. Purchased

To this account should be charged the material cost of all cedar poles purchased for direct shipment from point of purchase to customer; sales of which are reflected in account 36.4 Purchased—Direct Shipments—Gross Sales.

To this account should be credited all allowances and adjustments received in the material cost of such purchases, provided such credits are made within the same accounting period in which debit applying thereto was made to this account.

37.1 *Purchase Expense*

This account should include all miscellaneous expenses in connection with the purchase of cedar poles for direct shipment.

38. Cedar Pole Account—Cedar Pole Yard (Fig. 19)

38.1 Inbound Freight

To this account should be charged all inbound freight or other transportation charges on cedar poles of the company and of jobbers, shipped to and unloaded in the cedar pole yard.

To this account should be credited all refunds of freight or other transportation charges received, applying to items which were originally charged to this account within the same accounting period.

This account should not include any transportation charges on cedar poles coming within the definition of account 38.23 Purchase Freight.

38.2 *Cedar Poles Purchased—To Cedar Pole Yard*

38.21 Purchased

To this account should be charged the material cost of all cedar poles purchased, shipped to and unloaded in the accounting company's cedar pole yard. If more than one cedar pole yard is operated, and it is desired to keep the purchased poles of each separate, this account may be subdivided for that purpose.

To this account should be credited all allowances and adjustments received covering such purchases, provided such credits are made within the same accounting period as the debit to which they relate.

This account may be kept in such a manner as to permit the segregation of all purchased cedar poles according to size and grade, if it is desired to do so.

38.22 Purchase Expense

This account should include all miscellaneous expenses in connection with the purchase of cedar poles covered by the foregoing account.

38.23 Purchase Freight

To this account should be charged all inbound freight or other transportation charges on cedar poles purchased, shipped to and unloaded in the accounting company's cedar pole yard. If more than one cedar pole yard is maintained, and it is desired to keep the expense of each separate, this account may be subdivided to assist in that purpose.

To this account should be credited all refunds of transportation charges, provided same are entered in this account within the same accounting period as the debit to which they relate.

38.3 *Cedar Pole Yard Expense*

This account should cover the cost of all expenses directly chargeable to the cedar pole yard and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account is preferably subdivided in the following order:

38.31 Labor
38.32 Supplies
38.33 Expense
38.34 Repairs

These subaccounts may be further divided to meet the requirements of each particular organization. For example, they may be classified as Piling Expenses, Peeling Expenses, Treating Expenses, and the like.

38.4 *Inventory—Beginning*

This account should include the inventory value of all cedar poles

on hand in the cedar pole yard at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all cedar poles on hand at the date of the balance sheet or date of closing is carried in subaccount 1.75 Inventory of Products—Cedar Poles. At the beginning of the succeeding accounting period, following the date of the balance sheet, cedar pole inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.75 Inventory of Products—Cedar Poles and charged to this account for all cedar poles in the cedar pole yard. This is done to place the inventories of all cedar poles at the beginning of the period among the proper cedar pole operating accounts of the new period.

38.5 *Inventory—End*

This account should include the inventory value of all cedar poles on hand at the cedar pole yard at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of the cedar pole yard and the balance sheet. The inventory value of cedar poles on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.75 Inventory of Products—Cedar Poles, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.75 to account 38.4 Inventory—Beginning.

Refer to text data at account 1.7 Inventory of Products for information regarding inventory valuations.

38.6 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of cedar poles from the cedar pole yard and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by the allocation of the Burden Cost account expenses.

This account should be subdivided in the following order:

38.61 Labor
38.62 Supplies
38.63 Expense
38.64 Repairs

These subaccounts may be further divided to meet the requirements of each particular organization. For example, labor may be classified

39. CEDAR POLE ACCOUNT—CAMP NUMBER ONE

Year Ending December 31, 1927

	Details	*Amount*	*Pieces*	*Average*
	Cut from the stump—Pieces,			
39.1	*Stump to Woods Landing Expense*			
39.11	Labor,	$		
39.12	Supplies,			
39.13	Expense,			
39.14	Repairs,			
39.2	Plus: *Inventory—Beginning,*			
	Cost Cedar Poles at the Woods Landing,			
39.3	Less: *Inventory—End,*			
39.4	*Shipping Expense*			
39.41	Labor,	$		
39.42	Supplies,			
39.43	Expense,			
39.44	Repairs,			
	Cost Cedar Poles on Cars,			
39.5	*Railroad Expense*			
39.51	Operation,	$		
39.52	Repairs,			
39.53	Depreciation,			
39.6	*Depletion of Timber—Cedar Poles,*			
a.	*Cost Cedar Poles at the Main Line,*			
39.7	Less: *Cost Cedar Poles Sold from Main Line,* (To Sales of Cedar Poles 36, Item a)			
39.8	*Cost Cedar Poles to Cedar Pole Yard,* (To Cedar Pole Account 38, Item a)	$		

FIG. 20

as Hauling Poles, Loading Poles in Cars, Sorting Poles in Cars, and the like.

38.7 *Cost Cedar Poles Sold from Cedar Pole Yard*

At the end of the accounting period all the cedar pole yard operating accounts which make up the footing of schedule Cedar Pole Account—Cedar Pole Yard (see Figure 19), including the account Inventory—Beginning shown thereon, are credited and closed into this account, which then represents the total cost of all cedar poles sold from the cedar pole yard.

In this manner this account serves as an intermediate account between the operating expense accounts of the cedar pole yard and Profit and Loss. It is a much better method than closing the numerous operating accounts directly into Profit and Loss and affords a reconciliation account with reports and books.

The debit balance in this account, together with the credit balance in account 36.3 Cedar Pole Yard—Gross Sales, and the debit balance, if any, in account 36.31 Outbound Freight, are carried by net balance only to Profit and Loss Account, subaccount 10.1, item e.

39. Cedar Pole Account—Camp Number One (Fig. 20)

39.1 *Stump to Woods Landing Expense*

This account should cover the cost of all expenses directly chargeable to cedar poles from the stump to the woods landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

39.11 Labor
39.12 Supplies
39.13 Expense
39.14 Repairs

These subaccounts may be further divided to meet the requirements of each particular woods conditions. For example, labor may be classified as Cutting Poles, Skidding Poles, Hauling Poles, Peeling Poles; or expenses may be divided as Boarding Expense, Teams Expense, Shop Expense, and the like.

39.2 *Inventory—Beginning*

This account should include the inventory value of all cedar poles on hand at the woods landing at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all cedar poles on hand at the date of the balance sheet or date of closing is carried in subaccount 1.75 Inventory of Products

—Cedar Poles. At the beginning of the accounting period, following the date of the balance sheet, cedar pole inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.75 Inventory of Products—Cedar Poles and charged to this account for all cedar poles at the woods landing. This is done to place the inventories of all cedar poles at the beginning of the period among the proper cedar pole operating accounts of the new period.

39.3 *Inventory—End*

This account should include the inventory value of all cedar poles on hand at the woods landing at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of cedar poles in the woods and the balance sheet. The inventory value of cedar poles on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.75 Inventory of Products—Cedar Poles, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.75 to account 39.2 Inventory—Beginning.

39.4 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of cedar poles from the woods landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by the allocation of the Burden Cost accounts.

This account should be subdivided in the following order:

39.41 Labor
39.42 Supplies
39.43 Expense
39.44 Repairs

These subaccounts may be further divided and classified to meet the requirements of each particular organization, but the general outline should not be changed.

39.5 *Railroad Expense*

The logging railroad is usually operated for the benefit of all forest products, and the cost distributed on the basis of cars hauled.

This account should include such portions of the logging railroad

expense as is applicable to the hauling of cedar poles, as shown by the allocation of the Burden Cost Control covering the railroad operation.

Such burden charges should be subdivided and charged to accounts arranged hereunder, in the following order:

39.51 Operation
39.52 Repairs
39.53 Depreciation

39.6 *Depletion of Timber—Cedar Poles*

To this account should be charged the depletion cost of cedar poles, which is concurrently credited to the proper subaccount under 2.2

40. CEDAR POLE ACCOUNT—JOBBERS

Year Ending December 31, 1927

	Details	*Amount*	*Pieces*	*Average*
40.1	*Jobbers' Contracts,* (List names of all jobbers here, with amounts paid each, production, and average cost of each in the columns to the right)	$		
	Average—All Contracts,			
40.2	*Miscellaneous Jobbers' Cedar Pole Expense,*			
40.3	*Depletion of Timber—Cedar Poles,*			
	Cost Cedar Poles at the Main Line,			
40.4	Less: *Cost Cedar Poles Sold from Jobbers,* (To Sales of Cedar Poles 36, item b)			
40.5	*Cost Cedar Poles to Cedar Pole Yard,* (To Cedar Pole Account 38, Item c)	$		

FIG 21

Timber, applying to timber from which such cedar poles were cut. The depletion should be based upon the quantity actually shipped out, as shown by the scale or tally of cedar poles loaded on cars and transported over the logging railroad or by similar methods of measurement.

39.7 *Cost Cedar Poles Sold from Main Line*

—and account—

39.8 *Cost Cedar Poles to Cedar Pole Yard*

At the end of the accounting period all of the cedar pole operating accounts which make up the total on line Cost Cedar Poles at the Main Line, of schedule Cedar Pole Account—Camp Number One

(see Figure 20), including the account Inventory—Beginning shown thereon, are credited and closed into these two accounts, according to quantities applicable to each and based upon average cost of cedar poles, as shown in the Average column, on line Cost Cedar Poles at the Main Line. These two accounts then represent the total cost of all cedar poles sold from the main line of Camp Number One or transported to the cedar pole yard.

In this manner these two accounts serve as intermediate accounts between the operating expense accounts of Camp Number One and the sales schedule or the cedar pole yard schedule and accounts. This method affords reconciliation accounts with reports and books and is a much better procedure than closing the numerous expense accounts to other schedules independently.

The debit balance in account 39.7 Cost Cedar Poles Sold from Main Line, together with the credit balance in account 36.1 Camp Number One—Main Line—Gross Sales, less the debit balance, if any, in account 36.11 Outbound Freight, are carried by net balance only to Profit and Loss Account, subaccount 10.1, item e.

The debit balance in account 39.8 Cost Cedar Poles to Cedar Pole Yard is a raw material cost of cedar poles to the cedar pole yard, as shown by schedule Cedar Pole Account—Cedar Pole Yard, item a.

40. Cedar Pole Account—Jobbers (Fig. 21)

40.1 *Jobbers' Contracts*

To this account should be charged the cost of all work done by jobbers or contractors on logging cedar poles under contract or stipulated price. This account should be kept in such a manner as to permit segregation of such charges according to name of jobber or contractor to whom each debit applies.

40.2 *Miscellaneous Jobbers' Cedar Pole Expense*

This account should include the cost of all other expense applicable to jobbers' cedar poles from the stump to the main line and not coming within the terms of the contract.

40.3 *Depletion of Timber—Cedar Poles*

To this account should be charged the depletion cost of cedar poles cut by jobbers or contractors, which is concurrently credited to the proper subaccount under 2.2 Timber, applying to the timber from which such cedar poles were cut. The depletion is usually based upon the quantities actually shipped out over the logging railroad, as shown by the scale or tally of cedar poles loaded on cars or by similar method of measurement.

40.4 *Cost Cedar Poles Sold from Jobbers*

—and account—

40.5 *Cost Cedar Poles to Cedar Pole Yard*

These two accounts should be charged with the cost of all jobbers' cedar poles sold from the main line or transferred to the cedar pole yard, according to the quantities applicable to each. Such debits should be based upon average cost of jobbers' cedar poles, as shown on line Cost Cedar Posts at the Main Line (see Figure 21), and closing of the jobbers' operating expense accounts should be made upon the same theory outlined in the text data relating to accounts 39.7 and 39.8 of Camp Number One.

These two accounts then serve as intermediate accounts between the operating expense accounts of jobbers' cedar poles and the sales schedule or the cedar pole yard schedule.

Account 40.4 is carried to the sales schedule Sales of Cedar Poles—Jobbers—Main Line, item b, and closed into Profit and Loss Account, subaccount 10.1, item e, while account 40.5 Cost Cedar Poles to Cedar Pole Yard is carried to Cedar Pole Account—Cedar Pole Yard, item c, and represents a part of the material cost of poles in the cedar pole yard.

Note: No provision has been made in any of the foregoing jobbers' cedar pole accounts for inventories of jobbers' cedar poles on hand at any given date. When such inventories exist, the value thereof should be included in an appropriate inventory account placed in the correct position on the schedule and on the books. The inventory value of such cedar poles should take into consideration the location of the poles, viz., in the woods, at the woods landing, and the like.

If jobbers are located on the accounting company's logging railroad, and said railroad is used to transport any or all of jobbers' cedar poles to the main line or loading point, a group of accounts arranged similar to the railroad expense accounts for Camp Number One should be opened, to which should be charged the railroad operating expense applicable hereto based upon the number of cars hauled.

CHAPTER IX

THE LATH ACCOUNTS

Lath constitute one of the most important by-products from the mills of lumber manufacturing firms, and therefore deserve a well arranged cost accounting outline. According to the United States Department of Commerce, the production of lath in this country during 1925 totaled 3,161,137,000 pieces. In 1926 production was slightly less, 3,083,130,000 pieces having been manufactured.

Lath are usually sold from the lath yard and by direct shipment from point of purchase to customer. Figure 22 provides the necessary accounts to reflect such sales, and the gross profit and gross loss are computed separately on each group of sales. Total Gross Profit or Loss on Lath is shown on line b, and agrees with item f, of the Profit and Loss Account 10.1.

Figure 23 illustrates a complete group of account titles and numbers covering the manufacture, purchase to yard, yarding, inventory, and shipping of all lath. Beginning with account 43.1 Lath Mill Expense, the cost procedure travels on to the purchased lath shipped to and unloaded in the lath yard, thence to the Yard and Piling Expense, account 43.3, followed by account 43.4 Inventory—Beginning, and finally at line a the cost of lath in the pile in the lath yard is shown. At this point lath on hand are inventoried, and the value thereof entered in account 43.5 Inventory—End. The cost of rough lath transferred to other departments is covered by account 43.6, which, followed by account 43.7 Shipping Expense, gives a cost in account 43.8 of Cost Lath Sold from Lath Yard.

A separate group of accounts should be kept for each lath mill and lath yard operated. When the lath yard forms a part of the general lumber yard, the expenses pertaining to lath should be included in account 43.3 Yard and Piling Expense, as if a separate and distinct lath yard were maintained. The same is true when the lath mill forms a part of the saw mill or other mill buildings.

Often times lath are stored in sheds; when this is done, a group of accounts should be arranged to cover such expense. When lath are treated, stained or surfaced, appropriate accounts should be devised

and placed in their correct position in the cost outline. Any or all of these revisions may be made without destroying the proposed general outline shown herein.

If it is desired to keep the cost of different kinds of lath separate, such as hardwood, hemlock, pine, balsam, spruce, fir, and the like, or of 24," 32," 36," and various other lengths, this may also be done. Usually, however, such allocations of cost are inaccurate and in reality give little true cost information.

41. SALES OF LATH

Year Ending December 31, 1927

	Details		*Amount*	*Pieces*	*Average*
	LATH YARD				
41.1	*Gross Sales,*		$		
41.11	Less: Outbound Freight,				
	Net Sales,				
	a. Cost Lath Sold from Lath Yard,				
	Gross Profit or Loss,		$		
	PURCHASED—DIRECT SHIPMENTS				
41.2	*Gross Sales,*		$		
41.21	Less: Outbound Freight,				
	Net Sales,				
	Cost Purchased Lath Sold:				
42.	PURCHASED,	$			
42.1	*Purchase Expense,*				
	Gross Profit or Loss,		$		
	b. TOTAL GROSS PROFIT OR LOSS ON LATH (To Profit and Loss Account 10.1, Item f)		$		

(Losses in red)

FIG. 22

TEXT PERTAINING TO LATH ACCOUNTS

41. SALES OF LATH (FIG. 22)

41.1 *Lath Yard—Gross Sales*

To this account should be credited all sales of lath from the lath yard, and such sales may be kept in such a manner as to permit segregation of sales according to sizes and kinds of lath if this is desired.

To this account should be charged all adjustments and allowances given customers on sales of lath originally credited to this account, provided such charges are made within the same accounting period in which the sale relating thereto was entered in this account.

41.11 Lath Yard—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on lath sold from the lath yard.

To this account should be credited all refunds on outbound transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was debited to this account.

41.2 *Purchased—Direct Shipments—Gross Sales*

To this account should be credited all sales of lath shipped direct from point of purchase to customer, and no such sales should be included in any other account.

To this account should be charged all adjustments and allowances given customers on sales of lath originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

41.21 Purchased—Direct Shipments—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on lath sold direct from point of purchase to customer, and no such outbound transportation charges should ever be charged to any other outbound freight account.

To this account should be credited all refunds received on outbound transportation charges, provided such credits are made within the same accounting period in which the original debit applying thereto was entered in this account.

Cost of Purchased Lath Sold by Direct Shipments

42. Purchased

To this account should be charged the material cost of all lath purchased for direct shipment from point of purchase to customer, sales of which are reflected in account 41.2 Purchased—Direct Shipments—Gross Sales.

To this account should be credited all allowances and adjustments received in the material cost of such purchases, provided such credits are made within the same accounting period in which debit applying thereto was made to this account.

43. LATH ACCOUNT—LATH MILL AND LATH YARD

Year Ending December 31, 1927

	Details		*Amount*	*Pieces*	*Average*
	Cut in the mill—Pieces,				
43.1	*Lath Mill Expense*				
43.11	Labor		$		
43.12	Supplies,				
43.13	Expense,				
43.14	Repairs,				
43.2	*Lath Purchased—To Lath Yard,*				
43.21	Purchased,	$			
43.22	Purchase Expense,				
43.23	Purchase Freight				
43.3	*Yard and Piling Expense*				
43.31	Labor,	$			
43.32	Supplies,				
43.33	Expense,				
43.34	Repairs,				
43.4	Plus: *Inventory—Beginning,*				
a.	*Cost Lath in the Pile,*				
43.5	Less: *Inventory—End,*				
43.6	Less: *Cost Rough Lath to Other Departments,*				
43.7	*Shipping Expense*				
43.71	Labor,		$		
43.72	Supplies,				
43.73	Expense,				
43.74	Repairs,				
43.8	*Cost Lath Sold from Lath Yard,* (To Sales of Lath 41, Item a)		$		

FIG. 23

42.1 *Purchase Expense*

This account should include all miscellaneous expenses in connection with the purchase of lath for direct shipment.

43. Lath Account—Lath Mill and Lath Yard (Fig. 23)

43.1 *Lath Mill Expense*

This account should cover the cost of all expenses directly chargeable to the lath mill and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

43.11 Labor
43.12 Supplies
43.13 Expense
43.14 Repairs

These subaccounts may be further divided to meet the requirements of each particular manufacturing condition. For example, labor may be classified as, Cutting Lath, Tying Lath, Grading Lath, and the like.

43.2 *Lath Purchased—To Lath Yard*

43.21 Purchased

To this account should be charged the material cost of all lath purchased, shipped to and unloaded in the accounting company's lath yard. If more than one lath yard is operated, and it is the policy to keep the accounts of each separate, this account may be subdivided to conform to such divisions.

To this account should be credited all allowances and adjustments received covering such purchases, provided such credits are made to this account within the same accounting period as the debit to which they relate.

This account may be kept in such a manner as to permit segregation of purchased lath as to size and kind if this is desired.

43.22 Purchase Expense

This account should include all miscellaneous expenses in connection with the purchase of lath covered by the foregoing account.

43.23 Purchase Freight

To this account should be charged all inbound freight or other transportation charges on lath purchased, shipped to and unloaded in the accounting company's lath yard. If more than one lath yard is maintained, and it is desired to keep separate accounts for each, this account may be subdivided to conform to such provisions.

To this account should be credited all refunds of transportation charges received, provided same are entered in this account within the corresponding accounting period as the debit to which they relate.

43.3 *Yard and Piling Expense*

This account should cover the cost of all expenses directly chargeable to lath in the lath yard and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by the distribution of the Burden Cost accounts.

This account should be subdivided in the following order:

43.31 Labor
43.32 Supplies
43.33 Expense
43.34 Repairs

These subaccounts may be further divided to meet the requirements of each particular yarding condition.

43.4 *Inventory—Beginning*

This account should include the inventory value of all lath on hand at the lath yard at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all lath on hand at the date of the balance sheet or date of closing is carried in subaccount 1.76 Inventory of Products—Lath. At the beginning of the accounting period, following the date of the balance sheet, lath inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.76 Inventory of Products—Lath and charged to this account for all lath at the lath yard. This is done to place the inventories of all lath at the beginning of the period among the proper lath operating accounts of the new period.

43.5 *Inventory—End*

This account should include the inventory value of all lath on hand at the lath yard at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of lath mill and lath yard and the balance sheet. The inventory value of lath on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.76 Inventory of Products—Lath, where it is carried for

balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.76 to account 43.4 Inventory—Beginning.

43.6 *Cost Rough Lath to Other Departments*

If it is the desire of the accounting company to transfer rough lath to other departments of manufacture without profit or loss, such transfer should be made upon the basis of average rough lath cost per thousand or similar basis (period cost) (see Figure 23, average appears in Average column, directly under line Inventory—End), and charged to this account for quantities transferred.

Such lath may be charged to this account as transfers are made during the accounting period on a basis of estimated average lath cost, with adjustments to actual cost at the closing of the period. When this account is finally brought to reflect actual average cost of all rough lath delivered to other departments, such amounts represent the raw material cost to the department receiving the lath.

The departments may include crating factory, box factory, and the like, and subaccounts should be opened hereunder when more than one department is operated. The title or titles of this account should define the department to which such lath has been transferred.

43.7 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of lath from the lath yard and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this department of manufacture, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

43.71 Labor
43.72 Supplies
43.73 Expense
43.74 Repairs

These subaccounts may be further divided to meet the requirements of each particular shipping condition. For example, labor may be classified as Loading Lath, Hauling Lath, Grading Lath, and the like.

43.8 *Cost Lath Sold from Lath Yard*

At the end of the accounting period all of the lath operating expense accounts which make up the footing of Lath Account—Lath Mill and Lath Yard schedule (see Figure 23), including the account Inventory —Beginning 43.4 shown thereon, are credited and closed into this

account, which then represents the total cost of all lath sold from the lath yard.

In this manner this account serves as an intermediate account between the operating expense accounts and Profit and Loss. It is a much better method than closing the numerous operating accounts directly into Profit and Loss and affords a reconciliation account with reports and books.

The debit balance in this account, together with the credit balance in account 41.1 Lath Yard—Gross Sales, and the debit balance, if any, in account 41.11 Outbound Freight, are carried by net balance only to Profit and Loss Account, subaccount 10.1, item f.

CHAPTER X

THE SHINGLES ACCOUNTS

During 1926 more than 6,000,000,000 shingles were produced in the United States, making this department an important division of the lumber industry.

Figure 24 provides for accounts covering the sales of shingles from the shingle yard and by direct shipments. As shown in the preceding chapters relating to other products, and herein applying to shingles, Profit and Loss is again computed separately for each group of sales; the Total Gross Profit or Loss on Shingles being brought down as the net total of the schedule.

A proposed cost accounting outline covering the manufacture, purchased to yard, yarding, and remanufacturing of shingles is shown in Figure 25. The cost of cedar logs is brought forward from the Shingle Mill Landing schedule, Figure 11, and the logs consumed during the period in the manufacture of shingles is shown on line a. This cost divided by the number of shingles produced gives the cost of raw material per thousand shingles.

Illustration

		Cost	*Pieces Production*	*Average Per M*
	Cut in the Mill—Pieces,	$	5,000,000	$
a.	*Cost Cedar Logs*—Shingle Mill Landing,	10,000.00		
	Cost Raw Material,	$10,000.00	5,000,000	$2.00
46.1	*Shingle Mill Expense*			
46.11	Operation,	7,500.00	5,000,000	1.50
46.12	Repairs (etc.),			

Having arrived at the raw material cost, the accounting procedure follows on through the shingle mill, where it gathers the expense applicable to the manufacture of this product. Account 46.2 Shingles Purchased—To Shingle Yard, followed by accounts 46.3 Yard and Piling Expense and 46.4 Inventory—Beginning, gives on line b, a cost of shingles in the pile in the shingle yard. The current inventory is taken at this point and covered by account 46.5 Inventory—End. If shingles are treated or stained, account 46.6 Remanufacturing Ex-

pense should cover such work. Account group 46.7 includes the Shipping Expense, while account 46.8 Cost Shingles Sold from Shingle Yard completes the outline of cost accounts.

By this procedure the shingles have traveled through the entire process of manufacture, remanufacture and sales, and the properly arranged accounts have kept pace with each item of expense, picking them up in the order in which they were incurred.

Cedar lumber or cedar ties, or both, are often manufactured in the same mill, and in many of the Western mills large quantities of cedar siding are also made. The accounts shown herein may be revised to meet such conditions, so as properly to cover all cedar products. The cost of logs in such cases should of course be allocated to each product, on the basis of log feet consumed (usually Scribner or Decimal rule scale).

It is advisable to keep a separate group of accounts for each shingle mill and shingle yard operated.

TEXT PERTAINING TO SHINGLES ACCOUNTS

44. Sales of Shingles (Fig. 24)

44.1 *Shingle Yard—Gross Sales*

To this account should be credited all sales of shingles from the shingle yard, and such sales may be kept in such a manner as to permit the segregation of sales according to grades and kinds if this is desired.

To this account should be charged all adjustments and allowances given customers on sales of shingles originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

If more than one shingle yard is maintained, and it is desired to keep the sales of each separate, this account may be subdivided for that purpose.

44.11 Shingle Yard—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on shingles sold from the shingle yard. If more than one shingle yard is operated, and it is desired to keep the outbound transportation charges of each separate, this account should be subdivided accordingly.

To this account should be credited all refunds on outbound freight and transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

44.2 *Purchased—Direct Shipments—Gross Sales*

To this account should be credited all sales of shingles shipped direct from point of purchase to customer, and no such sales should be included in any other account.

To this account should be charged all adjustments and allowances given customers on sales of shingles originally credited to this account,

44. SALES OF SHINGLES

Year Ending December 31, 1927

	Details		*Amount*	*Pieces*	*Average*
	SHINGLE YARD				
44.1	*Gross Sales,*		$		
44.11	Less: Outbound Freight,				
	Net Sales,				
a.	Cost Shingles Sold from Shingle Yard,				
	Gross Profit or Loss,		$		
	PURCHASED—DIRECT SHIPMENTS				
44.2	*Gross Sales,*		$		
44.21	Less: Outbound Freight,				
	Net Sales,				
	Cost Purchased Shingles Sold:				
45.	PURCHASED	$			
45.1	*Purchase Expense,*				
	Gross Profit or Loss,		$		
b.	Total Gross Profit or Loss on Shingles, (To Profit and Loss Account 10.1, Item g)		$		

(Losses in red)

FIG. 24

provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

44.21 Purchased—Direct Shipments—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on shingles sold direct from point of purchase to customer, and no such outbound transportation charges should ever be charged to any other outbound freight account.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

Cost of Purchased Shingles Sold by Direct Shipments

45. Purchased

To this account should be charged the material cost of all shingles purchased for direct shipment from point of purchase to customer, sales of which are reflected in account 44.2 Purchased—Direct Shipments—Gross Sales.

To this account should be credited all allowances and adjustments received in the material cost of such purchases, provided such credits are made within the same accounting period in which debit applying thereto was made to this account.

45.1 *Purchase Expense*

This account should include all miscellaneous expenses in connection with the purchase of shingles for direct shipment.

46. Shingles Account—Shingle Mill and Shingle Yard (Fig. 25)

46.1 *Shingle Mill Expense*

This account heading should include the following subaccounts:

46.11 Operation

This account should include all the operating expenses of the shingle mill covering labor, supplies, and expense applicable to the manufacture of shingles and should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

46.12 Repairs

This account should include all repair expenses of the shingle mill buildings and shingle mill machinery and equipment. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes relative to the manufacture of shingles, as illustrated under chapter on Supplementary Manufacturing Costs.

46.13 Depreciation

This account should include the depreciation on shingle mill buildings, machinery, and equipment applicable to the manufacture of shingles. This account should be further subdivided to permit segre-

46. SHINGLES ACCOUNT—SHINGLE MILL AND SHINGLE YARD

Year Ending December 31, 1927

Details	*Amount*	*Pieces*	*Average*
Cut in the mill—Pieces,			
a. *Cost Cedar Logs—Shingle Mill Landing,*	$		
COST RAW MATERIAL,			
46.1 *Shingle Mill Expense,*			
46.11 Operation,			
46.12 Repairs,			
46.13 Depreciation,			
46.14 Shutdown Overhead,			
46.2 *Shingles Purchased—To Shingle Yard,*			
46.21 Purchased, $			
46.22 Purchase Expense,			
46.23 Purchase Freight,			
46.3 *Yard and Piling Expense,*			
46.31 Labor,	$		
46.32 Supplies,			
46.33 Expense,			
46.34 Repairs,			
46.4 Plus: *Inventory—Beginning,*			
b. *Cost Shingles in the Pile,*			
46.5 Less: *Inventory—End*			
46.6 *Remanufacturing Expense,*			
46.61 Labor,	$		
46.62 Supplies,			
46.63 Expense,			
46.64 Repairs,			
46.7 *Shipping Expense,*			
46.71 Labor,	$		
46.72 Supplies,			
46.73 Expense,			
46.74 Repairs,			
46.8 *Cost Shingles Sold from Shingle Yard,* (To Sales of Shingles 44, Item a)	$		

FIG. 25

gation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

46.14 Shutdown Overhead

This account should include all shutdown overhead expense of the shingle mill applicable to the manufacture of shingles, covering labor, supplies, expense, and repairs. This account should be further subdivided to permit segregation of accounts for supplementary cost purposes, as illustrated under chapter on Supplementary Manufacturing Costs.

46.2 *Shingles Purchased—To Shingle Yard*

46.21 Purchased

To this account should be charged the material cost of all shingles purchased, shipped to and unloaded in the accounting company's shingle yard. If more than one shingle yard is maintained, and it is desired to keep the purchased shingles of each separate, this account may be subdivided for that purpose.

To this account should be credited all allowances and adjustments received covering such purchases, provided such credit is made within the same accounting period as the debit to which it relates.

This account may be kept in such a manner as to permit segregation of such purchased shingles as to grades and kinds, through the use of a purchase analysis record supporting this account.

46.22 Purchase Expense

This account should include all miscellaneous expense in connection with the purchase of shingles covered by the foregoing account.

46.23 Purchase Freight

To this account should be charged all inbound freight or similar transportation charges on shingles purchased, shipped to and unloaded in the accounting company's shingle yard. If more than one shingle yard is maintained, and it is desired to keep the purchase freight of each separate, this account may be subdivided for that purpose.

To this account should be credited all refunds on freight received applying to items which have been charged to this account within the same accounting period.

46.3 *Yard and Piling Expense*

This account should cover the cost of all expenses directly chargeable to the shingle yard and piling operations and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this classification, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

46.31 Labor
46.32 Supplies
46.33 Expense
46.34 Repairs

These subaccounts may be further divided to meet the requirements of each particular operating condition.

46.4 *Inventory—Beginning*

This account should include the inventory value of all shingles on hand in the shingle yard at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all shingles on hand at the date of the balance sheet or date of closing is carried in subaccount 1.77 Inventory of Products—Shingles. At the beginning of the succeeding accounting period, following the date of the balance sheet, shingle inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.77 Inventory of Products—Shingles and charged to this account for all shingles in the shingle yard. This is done to place the inventories of all shingles at the beginning of the period among the proper shingle operating accounts of the new period.

46.5 *Inventory—End*

This account should include the inventory value of all shingles on hand at the shingle yard at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of the shingle yard and the balance sheet. The inventory value of shingles on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.77 Inventory of Products—Shingles, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.77 Inventory of Products—Shingles to account 46.4 Inventory—Beginning.

Refer to text data at account 1.7 Inventory of Products for information regarding inventory valuations.

46.6 *Remanufacturing Expense*

This account should cover the cost of all expenses directly chargeable to the remanufacturing of shingles, which may include such work as staining, designing, grading for remanufacturing, and the like.

This account should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this department, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

46.61 Labor
46.62 Supplies
46.63 Expense
46.64 Repairs

These subaccounts may be further divided to meet the requirements of each particular operating condition, and where buildings, machinery or equipment is required in the remanufacturing department accounts should be opened to take care of such entries.

46.7 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of shingles from the shingle yard and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this department, as shown by concurrent credits to Burden Cost accounts.

This account should be subdivided in the following order:

46.71 Labor
46.72 Supplies
46.73 Expense
46.74 Repairs

These subaccounts may be further subdivided when desired to meet the requirements of each particular operating condition.

46.8 *Cost Shingles Sold from Shingle Yard*

At the end of the accounting period all of the shingle operating expense accounts which make up the footing of Shingles Account—Shingle Mill and Shingle Yard schedule (see Figure 25), including the account Inventory—Beginning 46.4 shown thereon, are credited and closed into this account, which then represents the total cost of all shingles sold from the shingle yard.

In this manner this account serves as an intermediate account, between the operating expense accounts and Profit and Loss. It is a much better method than closing the numerous operating accounts

directly into Profit and Loss and affords a reconciliation account with reports and books.

The debit balance in this account, together with the credit balance in account 44.1 Shingle Yard—Gross Sales, and the debit balance, if any, in account 44.11 Outbound Freight, are carried by net balance only to Profit and Loss, subaccount 10.1, item g.

CHAPTER XI

THE WOOD ACCOUNTS

This chapter endeavors to present the accounts covering fuel wood, as a by-product from the mills.

Figure 26 gives an outline of accounts which should determine the gross profit or gross loss on each division of wood sales and should reflect the Total Gross Profit or Loss on Wood at the footing of the schedule. Accounts have been grouped to cover sales of wood from the wood mill, wood yard, and by direct shipment from point of purchase to customer.

A complete cost accounting outline covering the manufacture, purchase to yard, and inventory accounts of fuel wood is shown in Figure 27. Beginning with account 49.1 Wood Mill Expense, followed by account 49.2 Delivery Expense, gives a cost of wood delivered to car, boat, truck, local customers, and wood yard on line a. At this point account 49.3 should be debited with the cost of wood sold from the mill, and the balance of the cost allowed to travel on down the schedule, taking in accounts, 49.4, 49.5, 49.6, 49.7, 49.8, until finally account 49.9 reflects the Cost Wood Sold from Wood Yard. The schedule is arranged to show total cost of each item of expense, quantities (in cords usually) handled, and average cost per cord.

Account group 49.1 Wood Mill Expense is meant to cover the aggregate expense of all wood mills, viz., Saw Mill Wood Mill, Shingle Mill Wood Mill, Planing Mill Wood Mill, Box Factory Wood Mill, and the like. If it is desired to maintain a separate group of accounts for each wood mill, this can very easily be done without destroying the cost accounting outline illustrated.

Many firms desire to keep the cost of the various kinds of wood separate, such as 12″, 16″, 4′, slabs, trimmings, clippings, green wood, dry wood, and the like, and when such procedure does not entail too complicated distribution records, it is a much favored plan. It is also advisable to keep a separate group of accounts for each wood yard maintained, and if a "Local Yard" and "Wholesale Yard" or similar yards are operated, the expenses of these should likewise be kept apart.

This chapter does not cover round pulp wood from the logging camps, but it may include slab pulp wood from the mills.

47. SALES OF WOOD

Year Ending December 31, 1927

	Details		*Amount*	*Cords*	*Average*
	WOOD MILL				
47.1	*Gross Sales,*		$		
47.11	Less: Outbound Freight,				
	Net Sales,				
	a. Cost Wood Sold from Wood Mill,				
	Gross Profit or Loss,		$		
	WOOD YARD				
47.2	*Gross Sales,*		$		
47.21	Less: Outbound Freight,				
	Net Sales,				
	b. Cost Wood Sold from Wood Yard,				
	Gross Profit or Loss,		$		
	PURCHASED—DIRECT SHIPMENTS				
47.3	*Gross Sales,*		$		
47.31	Less: Outbound Freight,				
	Net Sales,				
	Cost Purchased Wood Sold:				
48.	PURCHASED,	$			
48.1	*Purchase Expense,*				
	Gross Profit or Loss,		$		
	c. Total Gross Profit or Loss on Wood, (To Profit and Loss Account 10.1, Item h)		$		

(Losses in red)

FIG. 26

TEXT PERTAINING TO WOOD ACCOUNTS

47. SALES OF WOOD (FIG. 26)

47.1 *Wood Mill—Gross Sales*

To this account should be credited all sales of wood from the wood mill at the saw mill, and such sales may be kept in such a manner as to

permit the segregation of sales according to kinds of wood, such as short-wood, slab-wood, and the like.

To this account should be charged all adjustments and allowances given customers on sales of wood, originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

If more than one wood mill is maintained, it is advisable that the sales, as well as production expense, of each be kept separate.

47.11 Wood Mill—Outbound Freight.

To this account should be charged all outbound freight or similar transportation charges on wood sold from the wood mill at the saw mill, sales of which are reflected in the foregoing account.

To this account should be credited all refunds on outbound transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

If more than one wood mill is maintained, it is advisable that the outbound freight, as well as sales and production expenses, of each be kept separate.

47.2 *Wood Yard—Gross Sales*

To this account should be credited all sales of wood from the wood yard, and such sales may be kept in such a manner as to permit segregation of sales according to kinds of wood, such as short-wood, slab-wood, and the like.

To this account should be charged all adjustments and allowances given customers on sales of wood originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

If more than one wood yard is maintained, and it is desired to keep the sales of each separate, this account may be subdivided for that purpose.

47.21 Wood Yard—Outbound Freight

To this account should be charged all outbound freight and similar transportation charges on wood sold from the wood yard, sales of which are reflected in the foregoing account.

To this account should be credited all refunds on outbound transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

If more than one wood yard is maintained, and it is desired to keep

the outbound freight of each separate, this account may be subdivided for that purpose.

47.3 *Purchased—Direct Shipments—Gross Sales*

To this account should be credited all sales of wood shipped direct from point of purchase to customer, and no such sales should be entered in any other account.

To this account should be charged all adjustments and allowances given customers on sales of wood originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

If it is desired to keep the sales of different kinds of wood separate, such as short-wood, slab-wood, edgings, and the like, this account may be subdivided for that purpose.

47.31 Purchased—Direct Shipments—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on wood sold direct from point of purchase to customer, and no such freight or other transportation charges, should ever be charged to any other outbound freight account.

To this account should be credited all refunds on outbound transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

COST OF PURCHASED WOOD SOLD BY DIRECT SHIPMENTS

48. PURCHASED

To this account should be charged the material cost of all wood purchased for direct shipment from point of purchase to customer, sales of which are reflected in account 47.3 Purchased—Direct Shipments—Gross Sales.

To this account should be credited all allowances and adjustments received in the material cost of such purchases, provided such credits are made within the same accounting period in which debit applying thereto was made to this account.

If it is desired to keep the purchases of wood separate as to kinds, such as short-wood, slab-wood, edgings, and the like, this account may be subdivided for that purpose.

48.1 *Purchase Expense*

This account should include all miscellaneous expenses in connection with the purchase of wood for direct shipment.

49. WOOD ACCOUNT—WOOD MILL AND WOOD YARD (FIG. 27)

49.1 *Wood Mill Expense*

49. WOOD ACCOUNT—WOOD MILL AND WOOD YARD

Year Ending December 31, 1927

Details	*Amount*	*Cords*	*Average*
Cut in the mill—Cords,			
49.1 *Wood Mill Expense*			
49.11 Labor,	$		
49.12 Supplies,			
49.13 Expense,			
49.14 Repairs,			
49.2 *Delivery Expense*			
49.21 Labor,	$		
49.22 Supplies,			
49.23 Expense,			
49.24 Repairs,			
a. *Cost Wood Delivered to Car, Local, or Yard*			
49.3 Less: *Cost Wood Sold From Wood Mill,* (To Sales of Wood 47, Item a)			
49.4 *Wood Purchased—To Wood Yard,*			
49.41 Purchased,	$		
49.42 Purchase Expense,			
49.43 Purchase Freight,			
49.5 *Yard and Piling Expense*			
49.51 Labor,	$		
49.52 Supplies,			
49.53 Expense,			
49.54 Repairs,			
49.6 Plus: *Inventory—Beginning,*			
b. *Cost Wood in the Pile,*			
49.7 Less: *Inventory—End,*			
49.8 *Shipping Expense*			
49.81 Labor,	$		
49.82 Supplies,			
49.83 Expense,			
49.84 Repairs,			
49.9 *Cost Wood Sold from Wood Yard,* (To Sales of Wood 47, Item b)	$		

FIG. 27

This account should cover the cost of all expenses in the wood mill at the saw mill directly chargeable to wood from the saw mill and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this department, as shown by concurrent credits to Burden Cost accounts.

This account should be subdivided in the following order:

49.11 Labor
49.12 Supplies
49.13 Expense
49.14 Repairs

These subaccounts may be further subdivided to meet the requirements of each particular operating condition.

49.2 *Delivery Expense*

This account should cover the cost of all expense in connection with delivering wood from the wood mill at the saw mill to the wood yard, to cars, boats or trucks, or to customers within the vicinity of the wood mill, such as local customers. This account should also include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this department, as shown by concurrent credits to Burden Cost accounts.

This account should be subdivided in the following order:

49.21 Labor
49.22 Supplies
49.23 Expense
49.24 Repairs

These subaccounts may be further subdivided to meet the requirements of each particular operating condition. For example, account 49.23 Expense may be divided to show separately the cost of delivering by teams and by truck.

49.3 *Cost Wood Sold from Wood Mill*

To this account should be charged the cost of all wood sold direct from the wood mill at the saw mill, based upon quantities actually sold and computed on general average cost, as shown in the Average column, on line a, Cost Wood Delivered to Car, Local or Yard.

Amounts charged to this account are of course deducted from amounts shown on line a and the balance brought down below the line; the amounts then travel on down the line of cost procedure until they are assumed by the yarding cost (see Figure 27).

49.4 *Wood Purchased—To Wood Yard*

49.41 Purchased

To this account should be charged the material cost of all wood purchased, shipped to and unloaded in the accounting company's wood yard. If more than one wood yard is operated, and it is desired to keep the purchased wood of each separate, this account may be subdivided for that purpose.

To this account should be credited all allowances and adjustments received covering the purchases, provided such credit is made within the same accounting period as the debit to which it relates.

This account may be kept in such a manner as to show separately the different kinds of wood purchased, as slab-wood, short-wood, edgings, and the like. Or it may be divided as softwood or hardwood.

49.42 Purchase Expense

This account should include all miscellaneous expenses in connection with the purchase of wood covered by the foregoing account.

49.43 Purchase Freight

To this account should be charged all inbound freight or similar transportation charges on wood shipped to and unloaded in the accounting company's wood yard. If more than one wood yard is maintained, and it is desired to keep the purchase freight of each separate, this account may be subdivided for that purpose.

To this account should be credited all refunds on freight received applying to items which have been charged to this account within the same accounting period.

49.5 *Yard and Piling Expense*

This account should cover the cost of all expenses directly chargeable to the wood yard and piling operations and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this classification, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

49.51 Labor
49.52 Supplies
49.53 Expense
49.54 Repairs

These subaccounts may be further divided to meet the requirements of each particular operating condition. If more than one yard is

operated, a separate group of accounts should of course be opened for each.

49.6 *Inventory—Beginning*

This account should include the inventory value of all wood on hand in the wood yard at the beginning of the accounting period.

For balance sheet or closing purposes the inventory value of all wood on hand at the date of the balance sheet or date of closing is carried in subaccount 1.78 Inventory of Products—Wood. At the beginning of the succeeding accounting period, following the date of the balance sheet, wood inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.78 Inventory of Products—Wood and charged to this account to cover all wood on hand at the wood yard. This is done to place the inventories of all wood at the beginning of the period among the proper wood operating accounts of the new period.

49.7 *Inventory—End*

This account should include the inventory value of all wood on hand at the wood yard at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of the wood yard and the balance sheet. The inventory value of wood on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.78 Inventory of Products—Wood, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.78 to account 49.6 Inventory—Beginning.

Refer to text data at account 1.7 Inventory of Products for information regarding inventory valuations.

49.8 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of wood from the wood yard and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this department, as shown by concurrent credits to Burden Cost accounts.

This account should be subdivided in the following order:

49.81 Labor
49.82 Supplies

49.83 Expense
49.84 Repairs

These subaccounts may be further subdivided to meet the requirements of each particular operating condition, and may be classified as applying to short-wood, slab-wood, edgings, and the like.

49.9 *Cost Wood Sold from Wood Yard*

At the end of the accounting period all of the wood operating accounts which make up the footing of Wood Account—Wood Mill and Wood Yard schedule (see Figure 27), including the account Inventory—Beginning 49.6 shown thereon, are credited and closed into this account, which then represents the total cost of all wood sold from the wood yard.

In this manner the account serves as an intermediate account between the operating expense accounts and Profit and Loss. It is a much better method than closing the numerous operating expense accounts directly unto Profit and Loss and affords a reconciliation account with reports and books.

The debit balance in this account, together with the credit balance in account 47.2 Wood Yard—Gross Sales, and the debit balance, if any, in account 47.21 Outbound Freight, are carried by net balance only to Profit and Loss, subaccount 10.1, item h.

CHAPTER XII

THE PULP WOOD ACCOUNTS

Round pulp wood forms one of the major forest products of many lumber manufacturing firms and is often termed the by-product of logging, although it is in many cases the product of operations carried on wholly for the purpose of securing this kind of timber. The raw material of this division consists of standing timber; the finished product, small round logs cut to lengths, the sizes of which depend upon the species of the wood and the market requirements.

A schedule showing the necessary ledger accounts and outlining appropriate profit and loss procedure to cover sales of pulp wood is shown in Figure 28. Again Profit and Loss is computed separately for each group of sales, the Total Gross Profit or Loss on Pulp Wood being brought down to line c.

Figure 29 provides a complete cost procedure covering the manufacture of pulp wood at Camp Number One. Beginning with account group 52.1 Stump to Road Expense, followed by the inventory accounts of pulp wood in the woods, thence by account 52.4 Road to Woods Landing Expense, then by the inventory accounts of pulp wood at the woods landing, succeeded by accounts 52.7 and 52.8 with the addition of account 52.9 Depletion of Timber—Pulp Wood, the result reflects a cost in account 52.10 of Cost Pulp Wood Sold from Main Line. The wood has traveled through the entire procedure of manufacture, and the accounts have kept pace with each item of expense as it fell due.

Figure 30 outlines a group of accounts covering jobbers' or contractors' pulp wood expense, the total cost of which is shown in account 53.4 Cost Pulp Wood Sold from Jobbers.

Many firms have set up various species of standing pulp wood timber in their timber accounts at different prices, and when this is the case, accounts 52.9 and 53.3 Depletion of Timber may be subdivided to show the depletion cost of each kind of timber separately.

A separate group of accounts should be kept for each logging camp where pulp wood is produced. If pulp wood is transported from the camps to market by means other than railroads, appropriate accounts

should be kept for such transportation expense, and account 52.8 Railroad Expense and accounts 50.11 and 50.21 Outbound Freight should

50. SALES OF PULP WOOD

Year Ending December 31, 1927

	Details	*Amount*	*Cords*	*Average*
	CAMP NUMBER ONE—MAIN LINE			
50.1	*Gross Sales,*	$		
50.11	Less: Outbound Freight,			
	Net Sales,			
	a. Cost Pulp Wood Sold from Camp Number One,			
	Gross Profit or Loss,	$		
	JOBBERS—MAIN LINE			
50.2	*Gross Sales,*	$		
50.21	Less: Outbound Freight,			
	Net Sales,			
	b. Cost Pulp Wood Sold from Jobbers,			
	Gross Profit or Loss,	$		
	PURCHASED—DIRECT SHIPMENTS			
50.3	*Gross Sales,*	$		
50.31	Less: Outbound Freight,			
	Net Sales,			
	Cost Purchased Pulp Wood Sold:			
51.	PURCHASED	$		
51.1	*Purchase Expense,*			
	Gross Profit or Loss,	$		
	c. TOTAL GROSS PROFIT OR LOSS ON PULP WOOD (To Profit and Loss Account 10.1, Item i)	$		

(Losses in red)

FIG. 28

be substituted with the revised accounts. However, most pulp wood is transported by railroads, company and carrier operated, and there-

fore the illustration shown herein will apply for the majority of producers.

The accounts shown here are intended to cover round pulp wood from the woods, and not slab pulp wood from the mills.

TEXT PERTAINING TO PULP WOOD ACCOUNTS

50. Sales of Pulp Wood (Fig. 28)

50.1 *Camp Number One—Gross Sales*

To this account should be credited all sales of pulp wood from main line railroad at Camp Number One, and such sales may be kept in such a manner as to permit segregation of sales according to kinds of pulp wood.

To this account should be charged all adjustments and allowances given customers on sales of pulp wood originally credited to this account, provided such charges are made within the same accounting period in which the sale relating thereto was entered in this account.

50.11 Camp Number One—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on pulp wood sold from the main line railroad at Camp Number One.

To this account should be credited all refunds on outbound transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was debited to this account.

50.2 *Jobbers—Gross Sales*

To this account should be credited all sales of pulp wood from jobbers' main line railroad, and such sales may be kept in such a manner as to permit segregation of sales according to kinds of pulp wood.

To this account should be charged all adjustments and allowances given customers on sales of pulp wood originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

50.21 Jobbers—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on pulp wood sold from the main line railroad of jobbers.

To this account should be credited all refunds on outbound transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was debited to this account.

50.3 *Purchased—Direct Shipments—Gross Sales*

To this account should be credited all sales of pulp wood shipped direct from point of purchase to customer, and no such sales should ever be entered in any other account.

To this account should be charged all adjustments and allowances given customers on sales of pulp wood originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

50.31 Purchased—Direct Shipments—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on pulp wood sold direct from point of purchase to customer, and no such outbound transportation charges should ever be entered in any other outbound freight account.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was entered in this account.

Cost of Purchased Pulp Wood Sold by Direct Shipments

51. Purchased

To this account should be charged the material cost of all pulp wood purchased for direct shipment from point of purchase to customer, sales of which are reflected in account 50.3 Purchased—Direct Shipments—Gross Sales.

To this account should be credited all allowances and adjustments received in the material cost of such purchases, provided such credits are made within the same accounting period in which the debit relating thereto was made to this account.

When it is desired to keep the different kinds of purchased pulp wood separate, this account may be subdivided for that purpose.

51.1 *Purchase Expense*

This account should include all miscellaneous expenses in connection with the purchase of pulp wood for direct shipment.

52. Pulp Wood Account—Camp Number One (Fig. 29)

52.1 *Stump to Road Expense*

This account should cover the cost of all expenses directly chargeable to pulp wood from the stump to the woods logging road and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this department, as shown by concurrent credits to the Burden Cost accounts.

52. PULP WOOD ACCOUNT—CAMP NUMBER ONE

Year Ending December 31, 1927

	Details	*Amount*	*Cords*	*Average*
	Cut from the stump—Cords			
52.1	*Stump to Road Expense,*			
52.11	Labor,	$		
52.12	Supplies,			
52.13	Expense,			
52.14	Repairs,			
52.2	Plus: *Inventory—Beginning,*			
	Cost Pulp Wood at the Road,			
52.3	Less: *Inventory—End,*			
52.4	*Road to Woods Landing Expense,*			
52.41	Labor,	$		
52.42	Supplies,			
52.43	Expense,			
52.44	Repairs,			
52.5	Plus: *Inventory—Beginning,*			
	Cost Pulp Wood at the Woods Landing,			
52.6	Less: *Inventory—End,*			
52.7	*Shipping Expense,*			
52.71	Labor,	$		
52.72	Supplies,			
52.73	Expense,			
52.74	Repairs,			
	Cost Pulp Wood on Cars,			
52.8	*Railroad Expense,*			
52.81	Operation,	$		
52.82	Repairs,			
52.83	Depreciation,			
52.9	*Depletion of Timber—Pulp Wood,*			
52.10	*Cost Pulp Wood Sold from Main Line,* (To Sales of Pulp Wood 50, Item a)	$		

FIG. 29

This account should be subdivided in the following order:

52.11 Labor
52.12 Supplies
52.13 Expense
52.14 Repairs

These subaccounts may be further divided. For example, account 52.11 Labor may be classified as, Cutting Pulp, Peeling Pulp, Skidding Pulp, and the like. This provides valuable cost data.

52.2 *Inventory—Beginning*

This account should include the inventory value of all pulp wood on hand at the woods logging road at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all pulp wood on hand at the date of the balance sheet or date of closing is carried in subaccount 1.79 Inventory of Products —Pulp Wood. At the beginning of the succeeding accounting period, following the date of the balance sheet, pulp wood inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.79 Inventory of Products—Pulp Wood and charged to this account to cover all pulp wood on hand at the logging road or in the woods, cut but not skidded out. This is done to place the inventories of all pulp wood at the beginning of the period among the proper pulp wood operating accounts of the new period.

52.3 *Inventory—End*

This account should include the inventory value of all pulp wood on hand at the logging road at the end of the accounting period.

This account serves as an intermediate account between the operating expense accounts of the woods operations and the balance sheet. The inventory of pulp wood on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.79 Inventory of Products—Pulp Wood, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.79 Inventory of Products—Pulp Wood to account 52.2 Inventory—Beginning.

Refer to text data at account 1.7 Inventory of Products for information regarding inventory valuation.

52.4 *Road to Woods Landing Expense*

This account should cover the cost of all expenses directly chargeable to pulp wood from the logging road or woods to the woods landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this department, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

52.41 Labor
52.42 Supplies
52.43 Expense
52.44 Repairs

These subaccounts may be further divided to meet the requirements of each particular operating condition.

52.5 *Inventory—Beginning*

This account should include the inventory value of all pulp wood on hand at the woods landing at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all pulp wood on hand at the date of the balance sheet or date of closing is carried in subaccount 1.79 Inventory of Products —Pulp Wood. At the beginning of the succeeding accounting period, following the date of the balance sheet, pulp wood inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.79 Inventory of Products—Pulp Wood and charged to this account to cover all pulp wood on hand at the woods landing. This is done to place the inventories of pulp wood at the beginning of the period among the proper pulp wood operating accounts of the new period.

52.6 *Inventory—End*

This account should include the inventory value of all pulp wood on hand at the woods landing at the end of the accounting period.

This account serves as an intermediate account between the operating expense accounts of the woods operations and the balance sheet. The inventory of pulp wood on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.79 Inventory of Products—Pulp Wood, where it is carried

for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.79 Inventory Products—Pulp Wood to account 52.5 Inventory—Beginning.

Refer to text data at account 1.7 Inventory of Products for information regarding inventory valuation.

52.7 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of pulp wood from the woods landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

52.71 Labor
52.72 Supplies
52.73 Expense
52.74 Repairs

These subaccounts may be further divided to meet the requirements of each particular operating condition.

52.8 *Railroad Expense*

The logging railroad is usually operated for the benefit of all forest products, and the cost is distributed on the basis of cars hauled.

This account should include such portion of the logging railroad expense as is applicable to the hauling of pulp wood, as shown by the allocation, distribution or concurrent credits to the Burden Cost Control covering the railroad operation.

Such burden charges should be subdivided in the following order:

52.81 Operation
52.82 Repairs
52.83 Depreciation

52.9 *Depletion of Timber—Pulp Wood*

To this account should be charged the depletion cost of pulp wood which is concurrently credited to the appropriate subaccount under 2.2 Timber, applying to the timber from which such pulp wood was cut. The depletion should be based upon the quantity actually shipped out, as shown by the scale or tally of pulp wood loaded on cars and transported over the logging railroad or by similar methods of measurement. If there has been no set-up in the timber account to cover the

cost or appraised value of pulp wood, there would of course be no depletion charge to this account.

52.10 *Cost Pulp Wood Sold from Main Line*

At the end of the accounting period all of the pulp wood operating expense accounts of Camp Number One, which make up the footing of Pulp Wood Account—Camp Number One schedule (see Figure 29), including the account Inventory—Beginning shown thereon, are credited and closed into this account, which then represents the total cost of all pulp wood sold from the main line railroad at Camp Number One.

53. PULP WOOD ACCOUNT—JOBBERS

Year Ending December 31, 1927

	Details	*Amount*	*Cords*	*Average*
53.1	*Jobbers' Contracts,* (List names of all jobbers here, with amounts paid each, production, and average cost of each in the columns to the right)	$		
	Average—All Contracts,			
53.2	*Miscellaneous Jobbers' Pulp Wood Expense,*			
53.3	*Depletion of Timber—Pulp Wood,*			
53.4	*Cost Pulp Wood Sold from Jobbers,* (To Sales of Pulp Wood 50, Item b)	$		

FIG. 30

In this manner this account serves as an intermediate account between the operating expense accounts and Profit and Loss. It is a much better method than clearing the numerous operating accounts directly into Profit and Loss Account and affords a reconciliation account with reports and books.

The debit balance in this account, together with the credit balance in account 50.1 Camp Number One—Gross Sales, and the debit balance, if any, in account 50.11 Camp Number One—Outbound Freight, are carried by net balance only to Profit and Loss, subaccount 10.1, item i.

53. PULP WOOD ACCOUNT—JOBBERS (FIG. 30)

53.1 *Jobbers' Contracts*

To this account should be charged the cost of all work done by jobbers or contractors on logging pulp wood under contract or stipulated price agreement. This account should be kept in such a manner as to permit segregation of such charges according to name of jobber or contractor to whom such debits apply.

53.2 *Miscellaneous Jobbers' Pulp Wood Expense*

This account should include the cost of all other expense applicable to jobbers' pulp wood from the stump to the main line and not coming within the terms of the contract.

53.3 *Depletion of Timber—Pulp Wood*

To this account should be charged the depletion cost of pulp wood cut by jobbers or contractors, which is concurrently credited to the proper subaccount under 2.2 Timber, applying to the timber from which such pulp wood was cut. The depletion is usually based upon the quantity actually shipped over the logging railroad, as shown by the scale or tally of pulp wood loaded on cars or by similar method of measurement. If there has been no set-up in the timber account to cover the cost or appraised value of pulp wood, there would of course be no depletion charge to this account.

53.4 *Cost Pulp Wood Sold from Jobbers*

At the end of the accounting period all of the jobbers' pulp wood operating expense accounts which make up the footing of Pulp Wood Account—Jobbers schedule (see Figure 30) are credited and closed into this account, which then represents the total cost of all pulp wood sold from the main line railroad of jobber or contractor operators.

In this manner this account serves as an intermediate account between the operating expense accounts and Profit and Loss. It is a much better method than closing the numerous operating accounts directly into Profit and Loss Account and affords a reconciliation account with reports and books.

The debit balance in this account, together with the credit balance in account 50.2 Jobbers—Gross Sales, and the debit balance, if any, in account 50.21 Jobbers—Outbound Freight, are carried by net balance only to Profit and Loss, subaccount 10.1, item i.

Note: No provision has been made in any of the foregoing jobbers' pulp wood accounts for inventories of jobbers' pulp wood on hand at any given date. When such inventories exist, the value thereof should be included in an appropriate inventory account placed in the correct position on the schedule and on the books. The inventory value of such pulp wood should take into con-

sideration the location of the wood, viz., in the woods, at the logging road, at the woods landing, and the like.

If jobbers are located on the accounting company's logging railroad, and said railroad is used to transport any or all of jobbers' pulp wood to the main line railroad or loading point, a group of accounts arranged similar to the railroad expense accounts for Camp Number One should be opened, to which should be charged the railroad operating expenses applicable hereto based upon the number of cars hauled.

CHAPTER XIII

THE BARK ACCOUNTS

Many firms engaged in the lumber business produce large quantities of hemlock bark, the bulk of which is sold to tanneries. The bark is taken from the logs during certain periods in the year, when it is removed with the "spud" with comparative ease. It is cut, while still on the log, to strips measuring approximately four feet in length, its width depending on the diameter of the timber. After being removed, the bark is placed in piles to dry and later is sold on the cord or weight basis.

Figure 31 provides the necessary accounts covering the sales of bark from the camp, jobbers, saw mill landing, and purchased direct shipments. Profit and Loss is figured separately for each division of sales, and the Total Gross Profit or Loss on Bark brought down as a footing of the schedule on line d.

Figure 32 illustrates an appropriate cost accounting outline covering the manufacture of bark at Camp Number One. Account 56.1 Woods Landing Expense should cover all the cost of producing bark at the camp. Account 56.2 Inventory—Beginning, followed by account 56.3 Inventory—End, thence accounts 56.4 Shipping Expense and 56.5 Railroad Expense places the bark at the main line railroad on cars, and the total expense is covered by account 56.6 Cost Bark Sold from Main Line. The properly arranged accounts have met each item of expense at the point where it fell due, and the schedule is arranged to show total cost, quantities, and average cost per cord covering each item of expense.

Accounts covering the cost of bark manufacture by jobbers or contractors are shown in Figure 33, and here also total cost, quantities and average cost per cord are shown.

Bark is often manufactured at the saw mill landing, where logs are stored or accumulated pending their transportation to the saw mill. Figure 34 provides a group of accounts covering the cost of producing bark at this end of the operation. Account group 58.1 Saw Mill Landing Expense should cover all the cost of manufacturing bark at this point, and is succeeded by account 58.2 Inventory—Beginning.

Line a provides for the shrinkage in bark, in cords. At this point the current inventory is taken, and the value thereof is debited to account 58.3 Inventory—End, which, followed by accounts 58.4 Bark Purchased—To Saw Mill Landing and 58.5 Shipping Expense, gives a Cost Bark Sold from Saw Mill Landing in account 58.6.

For firms who desire to show the shrinkage in bark, reference is made to line a, of Figure 34, and in such a case decrease in cords is shown in cords only, which automatically adjusts the average cost per cord. This same theory may be used to cover shrinkage in bark at the camps, though it is not shown in Figure 32.

It is advisable to maintain a separate group of accounts for each logging camp or saw mill landing or other point where the production of hemlock bark is carried on.

TEXT PERTAINING TO BARK ACCOUNTS

54. Sales of Bark (Fig. 31)

54.1 *Camp Number One—Gross Sales*

To this account should be credited all sales of bark from main line railroad at Camp Number One, and such sales may be kept in such a manner as to permit segregation of sales, with regard to size, kind, and the like.

To this account should be charged all adjustments and allowances given customers on sales of bark originally credited to this account, provided such charges are made within the same accounting period as the sale to which they apply.

54.11 Camp Number One—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on bark sold from the main line railroad at Camp Number One.

To this account should be credited all refunds on outbound transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was debited to this account.

54.2 *Jobbers—Gross Sales*

To this account should be credited all sales of bark from jobbers' main line railroad, and such sales may be kept in such a manner as to permit segregation as to size, kind, and the like.

To this account should be charged all adjustments and allowances given customers on sales of bark originally credited to this account,

54. SALES OF BARK

Year Ending December 31, 1927

	Details	*Amount*	*Cords*	*Average*
	CAMP NUMBER ONE—MAIN LINE			
54.1	*Gross Sales,*			
54.11	Less: Outbound Freight,	$		
	Net Sales,			
	a. Cost Bark Sold from Camp Number One,			
	Gross Profit or Loss,	$		
	JOBBERS—MAIN LINE			
54.2	*Gross Sales,*			
54.21	Less: Outbound Freight,	$		
	Net Sales,			
	b. Cost Bark Sold from Jobbers,			
	Gross Profit or Loss,	$		
	SAW MILL LANDING			
54.3	*Gross Sales,*	$		
54.31	Less: Outbound Freight,			
	Net Sales,			
	c. Cost Bark Sold from Saw Mill Landing,			
	Gross Profit or Loss,	$		
	PURCHASED—DIRECT SHIPMENTS			
54.4	*Gross Sales,*	$		
54.41	Less: Outbound Freight,			
	Net Sales,			
	Cost Purchased Bark Sold:			
55.	PURCHASED, $			
55.1	*Purchase Expense,*			
	Gross Profit or Loss,	$		
	d. Total Gross Profit or Loss on Bark, (To Profit and Loss Account 10.1, Item j)	$		

(Losses in red)

FIG. 31

provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

54.21 Jobbers—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on bark sold from the main line railroad of jobbers.

To this account should be credited all refunds on outbound transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was debited to this account.

54.3 *Saw Mill Landing—Gross Sales*

To this account should be credited all sales of bark from the saw mill landing, and such sales may be kept in such a manner as to permit segregation as to size, kind, and the like.

To this account should be charged all adjustments and allowances given customers on sales of bark originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

54.31 Saw Mill Landing—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on bark sold from the saw mill landing.

To this account should be credited all refunds on outbound transportation charges received, provided such credits are made within the same accounting period in which the original charge applying thereto was debited to this account.

54.4 *Purchased—Direct Shipments—Gross Sales*

To this account should be credited all sales of bark shipped direct from point of purchase to customer, and no such sales should ever be entered in any other account.

To this account should be charged all adjustments and allowances given customers on sales of bark originally credited to this account, provided such charges are made within the same accounting period in which the sale applying thereto was entered in this account.

54.41 Purchased—Direct Shipments—Outbound Freight

To this account should be charged all outbound freight or similar transportation charges on bark sold direct from point of purchase to customer, and no such outbound transportation charges should ever be entered in any other outbound freight account.

To this account should be credited all refunds on outbound freight or other transportation charges received, provided such credits are

made to this account within the same accounting period as the debit to which they relate.

Cost Purchased Bark Sold by Direct Shipments

55. Purchased

To this account should be charged the material cost of all bark purchased for direct shipment from point of purchase to customer,

56. BARK ACCOUNT—CAMP NUMBER ONE

Year Ending December 31, 1927

	Details	*Amount*	*Cords*	*Average*
	Peeled from logs—Cords			
56.1	*Woods Landing Expense*			
56.11	Labor,	$		
56.12	Supplies,			
56.13	Expense,			
56.14	Repairs,			
56.2	Plus: *Inventory—Beginning,*			
	Cost Bark at the Woods Landing,			
56.3	Less: *Inventory—End,*			
56.4	*Shipping Expense*			
56.41	Labor,	$		
56.42	Supplies,			
56.43	Expense,			
56.44	Repairs,			
	Cost Bark on Cars,			
56.5	*Railroad Expense*			
56.51	Operation,	$		
56.52	Repairs,			
56.53	Depreciation,			
56.6	*Cost Bark Sold from Main Line,* (To Sales of Bark 54, Item a)	$		

Fig. 32

sales of which are reflected in account 54.4 Purchased—Direct Shipments—Gross Sales.

To this account should be credited all allowances and adjustments

received in the material cost of such purchases, provided such credits are made within the same accounting period in which debit applying thereto was made to this account.

55.1 *Purchase Expense*

This account should include all miscellaneous expenses in connection with the purchase of bark for direct shipment.

56. Bark Account—Camp Number One (Fig. 32)

56.1 *Woods Landing Expense*

This account should cover the cost of all expenses directly chargeable to bark at the woods landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

56.11 Labor
56.12 Supplies
56.13 Expense
56.14 Repairs

These subaccounts may be further divided to meet the requirements of each particular operating condition. For example, labor may be classified as Skidding Labor, Peeling Labor, Hauling Labor, Piling Labor, and the like.

56.2 *Inventory—Beginning*

This account should include the inventory value of all bark on hand at the woods landing at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all bark on hand at the date of the balance sheet or date of closing is carried in subaccount 1.710 Inventory of Products—Bark. At the beginning of the accounting period, following the date of the balance sheet, bark inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.710 Inventory of Products—Bark and charged to this account for all bark at the woods landing. This is done to place the inventories of all bark at the beginning of the period among the proper bark operating expense accounts of the new period.

56.3 *Inventory—End*

This account should include the inventory value of all bark on hand at the woods landing at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of bark at Camp Number One and the balance sheet. The inventory of bark on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be closed into subaccount 1.710 Inventory of Products—Bark, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.710 to account 56.2 Inventory—Beginning.

56.4 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of bark from the woods landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this operation, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

56.41 Labor
56.42 Supplies
56.43 Expense
56.44 Repairs

These subaccounts may be further divided to meet the requirements of each particular firm, when more detailed classification is desired.

56.5 *Railroad Expense*

The logging railroad is usually operated for the benefit of all forest products, and the cost is allocated on the basis of cars hauled.

This account should include such portion of the logging railroad expense as is applicable to the hauling of bark, as shown by the distribution of the Burden Cost Control covering the railroad operation.

Such burden charges should be subdivided in the following order:

56.51 Operation
56.52 Repairs
56.53 Depreciation

56.6 *Cost Bark Sold from Main Line*

At the end of the accounting period all of the bark operating expense accounts of Camp Number One which make up the footing of Bark Account—Camp Number One schedule (see Figure 32), in-

cluding the account Inventory—Beginning shown thereon, are credited and closed into this account, which then represents the total cost of all bark sold from the main line railroad at Camp Number One.

In this manner the account serves as an intermediate account between the operating expense accounts and Profit and Loss. It is a much better method than closing the numerous operating accounts directly into Profit and Loss Account and affords a reconciliation account with reports and books.

The debit balance in this account, together with the credit balance in account 54.1 Camp Number One—Gross Sales, and the debit balance, if any, in account 54.11 Camp Number One—Outbound Freight, are carried by net balance only to Profit and Loss, subaccount 10.1, item j.

57. BARK ACCOUNT—JOBBERS

Year Ending December 31, 1927

	Details	*Amount*	*Cords*	*Average*
57.1	*Jobbers' Contracts,* (List names of all jobbers here, with amounts paid each, production and average cost of each in the columns to the right)	$		
	Average—All Contracts,			
57.2	*Miscellaneous Jobbers' Bark Expense,*			
57.3	*Cost Bark Sold from Jobbers,* (To Sales of Bark 54, Item b)	$		

FIG. 33

57. BARK ACCOUNT—JOBBERS (FIG. 33)

57.1 *Jobbers' Contracts*

To this account should be charged the cost of all work done by jobbers or contractors on manufacturing bark at the woods landing or other woods departments under contract or stipulated agreement. This account should be kept in such a manner as to permit segregation of such charges according to the names of jobbers or contractors, and number of cords or similar units applying to each.

57.2 *Miscellaneous Jobbers' Bark Expense*

This account should include the cost of all other expense applicable to jobbers' bark from the woods landing or other woods department to the main line railroad, and not coming within the terms of the contract and therefore not included in the above account.

57.3 *Cost Bark Sold from Jobbers*

At the end of the accounting period all of the jobbers' bark operating accounts which make up the footing of Bark Account—Jobbers schedule (see Figure 33) are credited and closed into this account,

58. BARK ACCOUNT—SAW MILL LANDING

Year Ending December 31, 1927

Details	*Amount*	*Cords*	*Average*
Peeled from Logs—Cords			
58.1 *Saw Mill Landing Expense*			
58.11 Labor,	$		
58.12 Supplies,			
58.13 Expense,			
58.14 Repairs,			
58.2 Plus: *Inventory—Beginning,*			
a. Adjust: Shrinkage in cords,			
Cost Bark at Saw Mill Landing,			
58.3 Less: *Inventory—End,*			
58.4 *Bark Purchased—To Saw Mill Landing,*			
58.41 Purchased,	$		
58.42 Purchase Expense,			
58.43 Purchase Freight,			
58.5 *Shipping Expense*			
58.51 Labor,	$		
58.52 Supplies,			
58.53 Expense,			
58.54 Repairs,			
58.6 *Cost Bark Sold from Saw Mill Landing,* (To Sales of Bark 54, Item c)	$		

FIG. 34

which then represents the total cost of all bark sold from the main line railroad of jobber or contractor bark manufacturers.

In this manner this account serves as an intermediate account between the operating expense accounts and Profit and Loss. It is a much better method than closing the numerous operating accounts

directly into Profit and Loss and affords a reconciliation account with reports and books.

The debit balance in this account, together with the credit balance in account 54.2 Jobbers—Gross Sales, and the debit balance, if any, in account 54.21 Jobbers—Outbound Freight, are carried by net balance only to Profit and Loss, subaccount 10.1, item j.

Note: No provision has been made in any of the foregoing jobbers' bark accounts for inventories of jobbers' bark on hand at any given date. When such inventories exist, the value thereof should be included in an appropriate inventory account placed in the correct position on the schedule and on the books. The inventory value of such bark should take into consideration the location of the bark, viz., in the woods, at the woods landing, and the like.

If jobbers are located on the accounting company's logging railroad, and said railroad is used to transport any or all of jobbers' bark to the main line railroad or loading point, a group of accounts arranged similar to the railroad expense accounts for Camp Number One should be opened, to which should be charged the railroad operating expenses applicable hereto, based upon the number of cars hauled.

58. Bark Account—Saw Mill Landing (Fig. 34)

58.1 *Saw Mill Landing Expense*

This account should cover the cost of all expenses directly chargeable to bark at the saw mill landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this department, as shown by concurrent credits to the Burden Cost accounts.

This account should be subdivided in the following order:

58.11 Labor
58.12 Supplies
58.13 Expense
58.14 Repairs

These subaccounts may be further divided to meet the requirements of each particular organization. For example, account 58.11 Labor may be further classified as Peeling Bark, Skidding Bark, Piling Bark, and the like.

58.2 *Inventory—Beginning*

This account should include the inventory value of all bark on hand at the saw mill landing at the beginning of the accounting period.

For balance sheet purposes, and for closing of the books, the inventory value of all bark on hand at the date of the balance sheet or date of closing is carried in subaccount 1.710 Inventory of Products

—Bark. At the beginning of the accounting period, following the date of the balance sheet, bark inventories which appeared on the balance sheet are then termed Inventory—Beginning and should be credited to account 1.710 Inventory of Products—Bark and charged to this account for such quantities as are at the saw mill landing. This is done to place the inventories of all bark at the beginning of the period among the proper bark operating expense accounts of the new period.

Item a on the Schedule (See Figure 34)

In the preparation of schedules and cost figures it is advisable to show adjustments in units whenever they occur; their entry in units only automatically changes the average unit cost of such products, which then follow on down through the accounting procedure.

On line a, enter the shrinkage in cords (or other units) in all bark manufactured at the saw mill landing. By subtracting the shrinkage in units only, and bringing down the net amount of units actually realized, the average unit cost of bark is automatically brought to reflect true cost.

58.3 *Inventory—End*

This account should include the inventory value of all bark on hand at the saw mill landing at the end of the accounting period.

This account serves as an intermediate account between the operating accounts of bark at the saw mill landing and the balance sheet. The inventory of bark on hand at the end of the accounting period is charged to this account; it facilitates the preparation of reports and allows for adjustments or corrections in inventory figures. Before final closing of the books, this account should be cleared into subaccount 1.710 Inventory of Products—Bark, where it is carried for balance sheet purposes, or until the beginning of the succeeding accounting period, when it should be transferred from account 1.710 to account 58.2 Inventory—Beginning.

58.4 *Bark Purchased—To Saw Mill Landing*

58.41 Purchased

To this account should be charged the material cost of all bark purchased, shipped to and unloaded at or sold from, the accounting company's saw mill landing. Bark purchases are usually not stored in pile, but are sold shortly after purchase, or small quantities are bought in order to complete unfilled cars.

To this account should be credited all allowances and adjustments received covering such purchases, provided the credits are made to

this account within the same accounting period as the debit to which they relate.

58.42 Purchase Expense

This account should include all miscellaneous expense in connection with the purchase of bark covered by the foregoing account.

58.43 Purchase Freight

To this account should be charged all inbound freight or other transportation charges on bark purchased, shipped to and unloaded in or sold from the accounting company's saw mill landing.

To this account should be credited all refunds of transportation charges received, provided same are entered to the credit of this account within the same accounting period as the debit to which they apply.

58.5 *Shipping Expense*

This account should cover the cost of all expenses directly chargeable to the shipping of bark from the saw mill landing and should include such portions of general and miscellaneous Burden Cost Control accounts as are applicable to this department, as shown by concurrent credits or distribution of the Burden Cost accounts.

This account should be subdivided in the following order:

58.51 Labor
58.52 Supplies
58.53 Expense
58.54 Repairs

These subaccounts may be further divided to meet the requirements of each particular firm.

58.6 *Cost Bark Sold from Saw Mill Landing*

At the end of the accounting period all of the bark operating accounts covering the saw mill landing department which make up the footing of Bark Account—Saw Mill Landing schedule (see Figure 34), including the account 58.2 Inventory—Beginning, are credited and closed into this account, which then represents the total cost of all bark sold from the saw mill landing.

In this manner the account serves as an intermediate account between the operating expense accounts and Profit and Loss. It is a much better method than closing the numerous operating accounts directly into Profit and Loss Account and affords a reconciliation account with reports and books.

The debit balance in this account, together with the credit balance in account 54.3 Saw Mill Landing—Gross Sales, and the debit balance, if any, in account 54.31 Outbound Freight, are carried by net balance only to Profit and Loss, subaccount 10.1, item j.

CHAPTER XIV

SUPPLEMENTARY MANUFACTURING COSTS

Probably the greatest advantage of Supplementary Manufacturing Costs, or itemized or departmental costs as they are often termed, is that they make for more effective control and coordination of a business than does any other mechanism of management. They allow for minute cost detail within the business from period to period, and should allow for similar comparison between operators in the same industry by uniform adoption of cost sheets.

Supplementary manufacturing costs are a diagnosis of business ills and provide the management with a clue as to where to begin the cure. Equipped with accurate cost data, executives are in a position to formulate business based upon the assurance furnished by the possession of experience data.

Total costs, or costs brought down to averages but holding items of costs covering a wide range of elements, do not provide figures of any great value other than for statistical comparison. However, the moment these costs are segregated, and the cost of each period is kept on the same basis, the figures represent invaluable information.

The principal function of supplementary manufacturing costs is to bring to the attention and interest of the various executives, including foremen and superintendents, reliable data pertaining to the various departments. Each direct head of a department should get a copy of the supplementary cost statement each month, covering the cost of his department. He should also get statements showing columnar comparisons of his costs for six months or a year, of the same period for the previous year; also comparative costs of other firms in the same business. Costs which are higher than the figures for the same item of the previous period, are entered in red; reductions in black. Supplementary manufacturing costs should show labor costs in detail, direct and indirect; this is of great value to the foremen, being almost entirely within their control. This is true in normal periods and also in periods of depression. Comparison of labor costs of other firms is highly beneficial and provides an accurate check on the efficiency of the labor of the organization.

Supplementary manufacturing costs provide the foremen and super-

intendents with all the necessary information relative to their departments, whereas other reports would, no doubt, give too great an amount of information pertaining to other matters. The foreman is on the job every day, knows local conditions and possible remedies, and reflections in costs may bring to his attention slackness and leaks which he may not otherwise have known, in spite of his efficient supervision. Foremen and department heads should be consulted when arranging the subdivisions of accounts appearing on the cost sheets, in order to supply the information necessary for executive and supervised control.

Supplementary costs should be compiled and records kept accordingly for every department of manufacture or logging operation, where practicable. While the illustrations shown herein provide only for the manufacturing division, similar schedules should be arranged for the woods and other departments. Many economies may be effected by the close study and coordination of monthly cost statements by the management, and by comparison with other operators in the lumber industry.

The accounts appearing on the Supplementary Manufacturing Cost statements should "tie up" with the general manufacturing accounts, by the application of account names and account numbers arranged in direct relationship to each other.

SUPPLEMENTARY MANUFACTURING COSTS

20.1 SAW MILL EXPENSE

Year Ending December 31, 1927

	Details	*Amount*	*Feet*	*Average*
20.11	*Operation*			
20.111	Labor—(Specify)	$		
20.112				
20.113				
20.114				
20.115				
20.116				
20.117	Supplies—(Specify)			
20.118				
20.119				
20.1110				
20.1111				
20.1112	Expense—(Specify)			
20.1113				
20.1114				
20.1115				
20.1116				
a.	*Total Operation,* (To Lumber Account 20, Item 20.11)	$		

	Details	*Amount*	*Feet*	*Average*
20.12	*Repairs*			
20.121	Mill Building—Labor,	$		
20.122	Mill Building—Material,			
20.123	Machinery and Equipment—Labor,			
20.124	Machinery and Equipment—Material,			
	b. *Total Repairs,* (To Lumber Account 20, Item 20.12)	$		
20.13	*Depreciation*	$		
20.131	Mill Building,			
20.132	Machinery and Equipment,			
	c. *Total Depreciation,* (To Lumber Account 20, Item 20.13)	$		
20.14	*Shutdown Overhead*	$		
20.141	Labor,			
20.142	Supplies,			
20.143	Expense,			
20.144	Repairs,			
	d. *Total Shutdown Overhead,* (To Lumber Account 20, Item 20.14)	$		
	e. *Total Saw Mill Expense,*	$		

FIG. 35

TEXT PERTAINING TO SUPPLEMENTARY MANUFACTURING COST ACCOUNTS

20.1 SAW MILL EXPENSE (FIG. 35)

20.11 *Operation*

20.111 to 20.116 Labor

These accounts should cover the cost of all labor in the saw mill applicable to the manufacture of lumber. Each account should cover a labor classification arranged to meet the requirements of individual firms.

20.117 to 20.1111 Supplies

These accounts should cover the cost of all supplies consumed in the saw mill applicable to the manufacture of lumber. Each account

should cover a classification of supplies arranged to meet the requirements of individual firms.

20.1112 to 20.1116 Expense

These accounts should cover all other expenses in the saw mill applicable to the manufacture of lumber. Account titles should designate the expense covered by the accounts and should be arranged to meet the requirements of individual firms. Taxes, depreciation, insurance, and debits from burden cost control accounts should be included in appropriate accounts hereunder.

20.12 *Repairs*

20.121 Mill Buildings—Labor

This account should cover the cost of all labor in connection with repairs to saw mill buildings applicable to the manufacture of lumber.

20.122 Mill Buildings—Material

This account should cover the cost of all material used in connection with repairs to saw mill buildings applicable to the manufacture of lumber.

20.123 Machinery and Equipment—Labor

This account should cover the cost of all labor in connection with repairs to saw mill machinery and equipment applicable to the manufacture of lumber.

20.124 Machinery and Equipment—Material

This account should cover the cost of all material used in connection with repairs to saw mill machinery and equipment applicable to the manufacture of lumber.

20.13 *Depreciation*

20.131 Mill Buildings

This account should cover the periodic charge for depreciation on saw mill buildings applicable to the manufacture of lumber.

20.132 Machinery and Equipment

This account should cover the periodic charge for depreciation on saw mill machinery and equipment applicable to the manufacture of lumber.

20.14 *Shutdown Overhead*

20.141 Labor

20.142 Supplies

20.143 Expense

20.144 Repairs

SUPPLEMENTARY MANUFACTURING COSTS

20.3 YARD AND PILING EXPENSE

Year Ending December 31, 1927

	Details	*Amount*	*Feet*	*Average*
20.31	*Operation*			
20.311	Labor—(Specify)	$		
20.312				
20.313				
20.314				
20.315				
20.316				
20.317	Supplies—(Specify)			
20.318				
20.319				
20.3110				
20.3111				
20.3112	Expense—(Specify)			
20.3113				
20.3114				
20.3115				
20.3116				
	a. *Total Operation,* (To Lumber Account 20, Item 20.31)	$		
20.32	*Repairs*			
20.321	Yard Building—Labor,	$		
20.322	Yard Buildings—Material,			
20.323	Machinery and Equipment—Labor,			
20.324	Machinery and Equipment—Material,			
	b. *Total Repairs,* (To Lumber Account 20, Item 20.32)	$		
20.33	*Depreciation*			
20.331	Yard Buildings,	$		
20.332	Machinery and Equipment,			
	c. *Total Depreciation,* (To Lumber Account 20, Item 20.33)	$		
20.34	*Shutdown Overhead*			
20.341	Labor,	$		
20.342	Supplies,			
20.343	Expense,			
20.344	Repairs,			
	d. *Total Shutdown Overhead,* (To Lumber Account 20, Item 20.34)	$		
	e. *Total Yard and Piling Expense,*	$		

FIG. 36

These accounts should cover the cost of all shutdown overhead of the saw mill, applicable to the manufacture of lumber.

Note: The totals appearing on lines, a, b, c, and d are carried to Lumber Accounts 20, items 20.11, 20.12, 20.13, and 20.14, respectively.

20.3 Yard and Piling Expense (Fig. 36)

20.31 *Operation*

20.311 to 20.316 Labor

These accounts should cover the cost of all labor in the lumber yard, applicable to the yarding and piling of lumber. Each account should cover a labor classification arranged to meet the requirements of individual firms.

20.317 to 20.3111 Supplies

These accounts should cover the cost of all supplies consumed in the lumber yard applicable to the yarding and piling of lumber. Each account should cover a classification of supplies arranged to meet the requirements of individual firms.

20.3112 to 20.3116 Expense

These accounts should cover all other expenses in the lumber yard applicable to the yarding and piling of lumber. Account titles should designate the expense covered by the accounts and should be arranged to meet the requirements of individual firms. Taxes, depreciation, insurance, and debits from burden cost control accounts should be included in appropriate accounts hereunder.

20.32 *Repairs*

20.321 Yard Buildings—Labor

This account should cover the cost of all labor in connection with repairs to yard buildings applicable to the yarding and piling of lumber.

20.322 Yard Buildings—Material

This account should cover the cost of all material used in connection with repairs to yard buildings applicable to the yarding and piling of lumber.

20.323 Machinery and Equipment—Labor

This account should cover the cost of all labor in connection with repairs to yard machinery and equipment applicable to the yarding and piling of lumber.

20.324 Machinery and Equipment—Material

This account should cover the cost of all material used in connection

with repairs to yard machinery and equipment applicable to the yarding and piling of lumber.

SUPPLEMENTARY MANUFACTURING COSTS

20.7 PLANING MILL EXPENSE

Year Ending December 31, 1927

	Details	*Amount*	*Feet*	*Average*
20.71	*Operation*			
20.711	Labor—(Specify)	$		
20.712				
20.713				
20.714				
20.715				
20.716				
20.717	Supplies—(Specify)			
20.718				
20.719				
20.7110				
20.7111				
20.7112	Expense—(Specify)			
20.7113				
20.7114				
20.7115				
20.7116				
	a. *Total Operation,* (To Lumber Account 20, Item 20.71)	$		
20.72	*Repairs*			
20.721	Mill Building—Labor,	$		
20.722	Mill Building—Material,			
20.723	Machinery and Equipment—Labor,			
20.724	Machinery and Equipment—Material,			
	b. *Total Repairs,* (To Lumber Account 20, Item 20.72)	$		
20.73	*Depreciation*			
20.731	Mill Building,	$		
20.732	Machinery and Equipment,			
	c. *Total Depreciation,* (To Lumber Account 20, Item 20.73)	$		

	Details	*Amount*	*Feet*	*Average*
20.74	*Shutdown Overhead*			
20.741	Labor,	$		
20.742	Supplies,			
20.743	Expense,			
20.744	Repairs,			
d.	*Total Shutdown Overhead,* (To Lumber Account 20, Item 20.74	$		
e.	*Total Planing Mill Expense,*	$		

FIG. 37

20.33 *Depreciation*

20.331 Yard Buildings

This account should cover the periodic charge for depreciation on yard buildings applicable to the yarding and piling of lumber.

20.332 Machinery and Equipment

This account should cover the periodic charge for depreciation on yard machinery and equipment applicable to the yarding and piling of lumber.

20.34 *Shutdown Overhead*

20.341 Labor

20.342 Supplies

20.343 Expense

20.344 Repairs

These accounts should cover the cost of all shutdown overhead of the yard and piling departments applicable to lumber.

Note: The totals appearing on lines, a, b, c, and d are carried to Lumber Account 20, items 20.31, 20.32, 20.33, and 20.34, respectively.

20.7 PLANING MILL EXPENSE (Figure 37)

20.71 *Operation*

20.711 to 20.716 Labor

These accounts should cover the cost of all labor in the planing mill applicable to the manufacture of lumber. Each account should cover a labor classification arranged to meet the requirements of individual firms.

20.717 to 20.7111 Supplies

These accounts should cover the cost of all supplies consumed in the planing mill applicable to the manufacture of lumber. Each ac-

count should cover a classification of supplies arranged to meet the requirements of individual firms.

20.7112 to 20.7116 Expense

These accounts should cover all other expense in the planing mill applicable to the manufacture of lumber. Account titles should designate the expense covered by the accounts and should be arranged to meet the requirements of individual firms. Taxes, depreciation, insurance, and debits from burden cost control accounts should be included in appropriate accounts hereunder.

20.72 *Repairs*

20.721 Mill Buildings—Labor

This account should cover the cost of all labor in connection with repairs to planing mill buildings applicable to the manufacture of lumber.

20.722 Mill Buildings—Material

This account should cover the cost of all material used in connection with repairs to planing mill buildings applicable to the manufacture of lumber.

SUPPLEMENTARY MANUFACTURING COSTS

20.9 DRY KILN EXPENSE

Year Ending December 31, 1927

	Details	*Amount*	*Feet*	*Average*
20.91	*Operation*			
20.911	Labor—(Specify)	$		
20.912				
20.913				
20.914				
20.915				
20.916				
29.917	Supplies—(Specify)			
20.918				
20.919				
20.9110				
20.9111				
20.9112	Expense—(Specify)			
20.9113				
20.9114				
20.9115				
20.9116				
	a. *Total Operation,* (To Lumber Account 20, Item 20.91)	$		

Details	Amount	Feet	Average
20.92 *Repairs*			
20.921 Kiln Buildings—Labor,	$		
20.922 Kiln Buildings—Material,			
20.923 Machinery and Equipment—Labor,			
20.924 Machinery and Equipment—Material,			
b. *Total Repairs,* (To Lumber Account 20, Item 20.92)	$		
20.93 *Depreciation*			
20.931 Kiln Buildings,	$		
20.932 Machinery and Equipment,			
c. *Total Depreciation,* (To Lumber Account 20, Item 20.93)	$		
20.94 *Shutdown Overhead*			
20.941 Labor,	$		
20.942 Supplies,			
20.943 Expense,			
20.944 Repairs,			
d. *Total Shutdown Overhead,* (To Lumber Account 20, Item 20.94)	$		
e. *Total Dry Kiln Expense,*	$		

FIG. 38

20.723 Machinery and Equipment—Labor

This account should cover the cost of all labor in connection with repairs to planing mill machinery and equipment applicable to the manufacture of lumber.

20.724 Machinery and Equipment—Material

This account should cover the cost of all material used in connection with repairs to planing mill machinery and equipment applicable to the manufacture of lumber.

20.73 *Depreciation*

20.731 Mill Buildings

This account should cover the periodic charge for depreciation on planing mill buildings applicable to the manufacture of lumber.

20.732 Machinery and Equipment

This account should cover the periodic charge for depreciation on planing mill machinery and equipment applicable to the manufacture of lumber.

20.74 *Shutdown Overhead*
20.741 Labor
20.742 Supplies
20.743 Expense
20.744 Repairs

These accounts should cover the cost of all shutdown overhead of the planing mill applicable to the manufacture of lumber.

Note: The totals appearing on lines, a, b, c, and d are carried to Lumber Account 20, items 20.71, 20.72, 20.73, and 20.74, respectively.

20.9 Dry Kiln Expense (Fig. 38)
20.91 *Operation*
20.911 to 20.916 Labor

These accounts should cover the cost of all labor in the dry kilns applicable to the manufacture of lumber. Each account should cover a labor classification arranged to meet the requirements of individual firms.

20.917 to 20.9111 Supplies

These accounts should cover the cost of all supplies consumed in the dry kilns applicable to the manufacture of lumber. Each account should cover a classification of supplies arranged to meet the requirements of individual firms.

20.9112 to 20.9116 Expense

These accounts should cover all other expense in the dry kilns applicable to the manufacture of lumber. Account titles should designate the expense covered by the accounts and should be arranged to

SUPPLEMENTARY MANUFACTURING COSTS

46.1 SHINGLE MILL EXPENSE

Year Ending December 31, 1927

	Details	*Amount*	*Pieces*	*Average*
46.11	*Operation*			
46.111	Labor—(Specify)	$		
46.112				
46.113				
46.114				
46.115				
46.116				

	Details	*Amount*	*Pieces*	*Average*
46.117	Supplies—(Specify)			
46.118				
46.119				
46.1110				
46.1111				
46.1112	Expense—(Specify)			
46.1113				
46.1114				
46.1115				
46.1116				
	a. *Total Operation,* (To Shingles Account 46, Item 46.11)	$		
46.12	*Repairs*			
46.121	Mill Building—Labor,	$		
46.122	Mill Building—Material,			
46.123	Machinery and Equipment—Labor,			
46.124	Machinery and Equipment—Material,			
	b. *Total Repairs,* (To Shingles Account 46, Item 46.12)	$		
46.13	*Depreciation*			
46.131	Mill Building			
46.132	Machinery and Equipment,			
	c. *Total Depreciation,* (To Shingles Account 46, Item, 46.13)	$		
46.14	*Shutdown Overhead*			
46.141	Labor,	$		
46.142	Supplies,			
46.143	Expense,			
46.144	Repairs,			
	d. *Total Shutdown Overhead,* (To Shingles Account 46, Item 46.14)	$		
	e. *Total Shingle Mill Expense,*	$		

FIG. 39

meet the requirements of individual firms. Taxes, depreciation, insurance, and debits from burden cost control accounts should be included in appropriate accounts hereunder.

20.92 *Repairs*

20.921 Kiln Buildings—Labor

This account should cover the cost of all labor in connection with repairs to kiln buildings applicable to the manufacture of lumber.

20.922 Kiln Buildings—Material

This account should cover the cost of all material used in connection with repairs to kiln buildings applicable to the manufacture of lumber.

20.923 Machinery and Equipment—Labor

This account should cover the cost of all labor in connection with repairs to kilns machinery and equipment applicable to the manufacture of lumber.

20.924 Machinery and Equipment—Material

This account should cover the cost of all material used in connection with repairs to kilns machinery and equipment applicable to the manufacture of lumber.

20.93 *Depreciation*

20.931 Kiln Buildings

This account should cover the periodic charge for depreciation of kiln buildings applicable to the manufacture of lumber.

20.932 Machinery and Equipment

This account should cover the periodic charge for depreciation on kiln machinery and equipment, applicable to the manufacture of lumber.

20.94 *Shutdown Overhead*

20.941 Labor

20.942 Supplies

20.943 Expense

20.944 Repairs

These accounts should cover the cost of all shutdown overhead of the dry kilns applicable to the manufacture of lumber.

Note: The totals appearing on lines, a, b, c, and d are carried to Lumber Account 20, items 20.91, 20.92, 20.93, and 20.94, respectively.

46.1 Shingle Mill Expense (Fig. 39)

46.11 *Operation*

46.111 to 46.116 Labor

These accounts should cover the cost of all labor in the shingle mill applicable to the manufacture of shingles. Each account should cover a labor classification arranged to meet the requirements of individual firms.

46.117 to 46.1111 Supplies

These accounts should cover the cost of all supplies consumed in the shingle mill applicable to the manufacture of shingles. Each account should cover a classification of supplies arranged to meet the requirements of individual firms.

46.1112 to 46.1116 Expense

These accounts should cover all other expense in the shingle mill applicable to the manufacture of shingles. Account titles should designate the expense covered by the accounts and should be arranged to meet the requirements of individual firms. Taxes, depreciation, insurance, and debits from burden cost control accounts should be included in appropriate accounts hereunder.

46.12 *Repairs*

46.121 Mill Buildings—Labor

This account should cover the cost of all labor in connection with repairs to shingle mill buildings applicable to the manufacture of shingles.

46.122 Mill Buildings—Material

This account should cover the cost of all material used in connection with repairs to shingle mill buildings applicable to the manufacture of shingles.

46.123 Machinery and Equipment—Labor

This account should cover the cost of all labor in connection with repairs to shingle mill machinery and equipment applicable to the manufacture of shingles.

46.124 Machinery and Equipment—Material

This account should cover the cost of all material used in connection with repairs to shingle mill machinery and equipment applicable to the manufacture of shingles.

46.13 *Depreciation*

46.131 Mill Buildings

This account should cover the periodic charge for depreciation on shingle mill buildings applicable to the manufacture of shingles.

46.132 Machinery and Equipment

This account should cover the periodic charge for depreciation on shingle mill machinery and equipment applicable to the manufacture of shingles.

46.14 *Shutdown Overhead*

46.141 Labor
46.142 Supplies
46.143 Expense
46.144 Repairs

These accounts should cover the cost of all shutdown overhead of the shingle mill applicable to the manufacture of shingles.

Note: The totals appearing on lines a, b, c, and d are carried to Shingles Account 46, items 46.11, 46.12, 46.13, and 46.14, respectively.

Log Cost and Manufacturing Cost of Lumber by Species, Kinds or Grades. Many firms often want to know the log cost per thousand feet of thin, thick, plain or quartered lumber. Or they want to know the manufacturing cost of different species, or of hardwood lumber and softwood lumber separately, based upon sawing speed ratios of past experience.

The following plans have been devised by the Cost Accounting Committee of the Hardwood Manufacturers' Institute and are presented in their *Saw Mill Cost Accounting Plan.* Plan One presents a method for figuring the log cost per thousand feet of lumber greater or less than one inch in thickness, and of quartered lumber. Plan Two provides a method for allocation of manufacturing cost to different species, based upon prior sawing speed of the individual operators.

Plan One. Compared with plain-sawed inch lumber there is an abnormal over-run in lumber sawed in thicknesses less than one inch and an under-run in quarter-sawed lumber. It is obvious that the log cost per thousand feet lumber scale on 3/8 lumber, for instance, is less than on an equal amount of 4/4 lumber. Therefore, there is a different log cost per M feet lumber scale on each thickness and it is necessary to allocate the proper proportion of log cost in accordance with principles outlined in the following example.

Example:

Oak logs costing $9,900 produced the following amount of lumber:

	Actual Lumber Scale		*4/4 Plain Equivalent*	
4/4 Plain	100,000′		100,000′	$2,000
3/4 "	100,000	less 15%	85,000	1,700
5/8 "	100,000	" 35%	75,000	1,500
1/2 "	100,000	" 40%	60,000	1,200
3/8 "	100,000	" 50%	50,000	1,000
4/4 Qtd.	100,000	plus 25%	125,000	2,500
	600,000′		495,000′	$9,900

Log Cost ($9,900) divided by 495,000′ is the average log cost per M feet on the basis of the 4/4 Plain equivalent, or $20 per M feet. By extending footage in second column above at $20 the proper amount of log cost against each thickness is found as shown in third column above.

Note: Above schedule of adjustment ratios is used by the Kraetzer-Cured Lumber Co. These ratios should be fixed in accordance with the experience of the individual operator. As there is very little difference in the scale between quartered and plain Gum, it is recommended that Gum be adjusted only for thickness.

Plan Two. The cost per thousand feet lumber scale of lumber produced by the saw mill is raised or lowered in accordance with the amount of lumber produced, and the capacity of the mill is regulated by the species of wood being sawed. For instance, a mill may produce 35,000 feet a day in Gum but only 26,000 feet in Plain Oak or 14,000 feet in Quartered Oak. Therefore the manufacturing cost of each species should be figured separately in accordance with principles outlined in example below.

Example

Actual Production		*Ratio of Sawing Speed*	*Gum Equivalent*	*Cost*
Gum	200,000′	100	200,000′	$1,000
Elm	50,000	100	50,000	250
Plain Oak	200,000	135	250,000	1,250
Qtrd. Oak	50,000	250	125,000	625
Ash	40,000	115	46,000	230
	540,000′		671,000′	$3,355

Manufacturing Cost ($3,355) divided by 671,000′ is the average manufacturing cost per M feet on the "Gum Equivalent" basis, or $5 per M feet. By extending footage in "Gum Equivalent" column above at $5 the proper amount of manufacturing cost against each species is found in the last column.

Note: Above schedule of adjustment ratios is used by E. B. Norman & Co. These ratios should be fixed in accordance with the experience of the individual operator.

CHAPTER XV

SHUTDOWN OVERHEAD

Shutdown Overhead, as it is most commonly used, is charged periodically with an amount sufficient to take care of overhead expense during shutdown periods. The corresponding credit being made to "Reserve for Shutdown Overhead," which account is charged at the time the expense is incurred. However, such procedure meets with disfavor as it places the burden in a period other than the one in which it is actually sustained, and unless estimates are founded upon some scientific, conservative basis, gives rise to unreliable costs and possible income tax complications.

Shutdown Overhead, wherever used in this text, bears a different significance, and resembles only an expense classification to which expenses are charged at the time they are actually sustained or accrued.

When a manufacturing plant, or department of manufacture other than the plant itself, is in operation and producing, it is correct to charge all expenses incurred during or due to such period to the operating expense accounts covering such production.

When this same plant or department is not in operation, it is in a state of being "shut down." The length of such period, in order that it be termed a "shutdown" period, depends upon the normal operations of the business. During such period of inoperation the costs resulting during the period, and strictly due thereto and having no relationship to prior or subsequent production, should be charged to an account apart from the normal operating accounts. Such an account is correctly named "Shutdown Overhead" and should be subdivided as follows:

(1) Labor
(2) Supplies
(3) Expense
(4) Repairs

No expenses are omitted from the year's costs by this theory. The costs per thousand feet of lumber for a given period will be the same whether or not a Shutdown Overhead account is maintained. If this

were not the case, the charge for Shutdown Overhead would have to be closed into Profit and Loss; this may nevertheless be an excellent manner of disposing of the shutdown expense, in instances where those items would materially increase the average lumber cost. However, the best method appears to be to allow current production to stand the cost, allowing the increase to be reflected in the Shutdown Overhead accounts. The operating accounts covering the period of actual operation of the plant or department bear true operating expenses. The total cost and average cost per thousand feet, pieces or cords, are true operating costs. They do not include expenses sustained or accrued during a period when the plant was not producing.

For example, assume that the manufacturing cost of lumber in a certain saw mill for the year 1925 is $5.00 per thousand board feet. The firm kept no account on its books to cover Shutdown Overhead —all expenses were charged directly to the operating accounts. Assume that the plant operated a full year without shutdown, (except occasional delays which are not termed shutdowns). The cost of $5.00 per thousand includes Operation, Repairs, and Depreciation of the Saw Mill applicable to the manufacture of lumber, as shown by Figure 40.

The year 1926. Instead of being in operation an entire year, the plant was obliged to close for a period of three months. Still no account was kept on the books to take care of the shutdown expenses, which include light, heat, watchmen, taxes, insurance, sundry labor, foremen's salaries, and all such expenses beyond control of the operating accounts. All these expenses are still charged directly to the operating expense accounts of the saw mill. At the close of 1926 the lumber cost reached the increased figure of $6.00 per thousand board feet. The relation of hardwoods and softwoods were about the same as 1925. Labor rates were the same as the previous year, and all other elements of cost were about the same. It is evident that the increase is due to being shut down, but the facts are unknown and a finger cannot be put on the amounts that make up the variation in the costs of the two years. A comparison with 1925 is shown in Figure 40.

What would the cost figures show had a Shutdown Overhead account been kept for both years?

For the year 1925 the operating cost would have remained at $5.00 per thousand board feet, since the plant was in full operation. In 1926 the operating cost would also have been very near to $5.00, due to

20.1 SAW MILL EXPENSE

(*Note:* Showing comparison if no Shutdown Overhead account were kept either year)

Account		1925 Amount	1925 Feet	1925 Ave.	1926 Amount	1926 Feet	1926 Ave.
20.11	*Operation*						
20.111	Labor,	$26,000.00	10,000,000	$2.60	$30,000.00	10,000,000	$3.00
20.117	Supplies,	5,000.00	10,000,000	.50	6,000.00	10,000,000	.60
20.1112	Expense,	7,500.00	10,000,000	.75	10,000.00	10,000,000	1.00
		38,500.00	10,000,000	3.85	46,000.00	10,000,000	4.60
20.12	*Repairs*						
20.121	Mill Building—Labor,	2,000.00	10,000,000	.20	3,000.00	10,000,000	.30
20.122	Mill Building—Material,	1,500.00	10,000,000	.15	1,500.00	10,000,000	.15
20.123	Machinery and Equipment—Labor,	3,000.00	10,000,000	.30	4,000.00	10,000,000	.40
20.124	Machinery and Equipment—Material,	1,000.00	10,000,000	.10	1,500.00	10,000,000	.15
		7,500.00	10,000,000	.75	10,000.00	10,000,000	1.00
20.13	*Depreciation*						
20.131	Mill Building,	2,500.00	10,000,000	.25	2,500.00	10,000,000	.25
20.132	Machinery and Equipment,	1,500.00	10,000,000	.15	1,500.00	10,000,000	.15
		4,000.00	10,000,000	.40	4,000.00	10,000,000	.40
	Total Saw Mill Expense,	$50,000.00	10,000,000	$5.00	$60,000.00	10,000,000	$6.00

FIG. 40

20.1 SAW MILL EXPENSE

(*Note*: Showing comparison if a Shutdown Overhead account were kept for both years)

	Account	1925 Amount	1925 Feet	1925 Ave.	1926 Amount	1926 Feet	1926 Ave.
20.11	*Operation*						
20.111	Labor,	$26,000.00	10,000,000	$2.60	$25,800.00	10,000,000	$2.58
20.117	Supplies,	5,000.00	10,000,000	.50	5,100.00	10,000,000	.51
20.1112	Expense,	7,500.00	10,000,000	.75	7,400.00	10,000,000	.74
		38,500.00	10,000,000	3.85	38,300.00	10,000,000	3.83
20.12	*Repairs*						
20.121	Mill Building—Labor,	2,000.00	10,000,000	.20	1,900.00	10,000,000	.19
20.122	Mill Building—Material,	1,500.00	10,000,000	.15	1,600.00	10,000,000	.16
20.123	Machinery and Equipment—Labor,	3,000.00	10,000,000	.30	3,000.00	10,000,000	.30
20.124	Machinery and Equipment—Material,	1,000.00	10,000,000	.10	1,200.00	10,000,000	.12
		7,500.00	10,000,000	.75	7,700.00	10,000,000	.77
20.13	*Depreciation*						
20.131	Mill Building,	2,500.00	10,000,000	.25	2,500.00	10,000,000	.25
20.132	Machinery and Equipment,	1,500.00	10,000,000	.15	1,500.00	10,000,000	.15
		4,000.00	10,000,000	.40	4,000.00	10,000,000	.40
	Total Operating Cost,	50,000.00	10,000,000	5.00	50,000.00	10,000,000	5.00
20.14	*Shutdown Overhead*						
20.141	Labor,				4,000.00	10,000,000	.40
20.142	Supplies,				1,000.00	10,000,000	.10
20.143	Expense,				2,500.00	10,000,000	.25
20.144	Repairs,				2,500.00	10,000,000	.25
					10,000.00	10,000,000	1.00
	Total Saw Mill Expense,	$50,000.00	10,000,000	$5.00	$60,000.00	10,000,000	$6.00

FIG. 41

cost of labor and commodities being similar, and quantities of hardwoods and softwoods being practically the same. The amount of $1.00 would be reflected in the account items which make up Shutdown Overhead. There would be no guesswork about it. The cost of labor per thousand in both years would be shown; the cost of supplies, expenses, repairs, and depreciations would also be shown, and averages calculated for each item. The shutdown accounts would have taken the burden of expense during the three months the plant was forced to lie idle. If, during the period of inoperation, the elements of cost would have increased in place of remaining about the same as in previous periods, this procedure would be all the more valuable in segregating the costs of the two account classifications. Refer to Figure 41.

The management should be able to compare true operating costs of different years, and it should also be possible to make comparisons of Shutdown Overhead expense of the same years. By the method herein described this information is available. If during a certain period more labor or supplies are consumed by a plant, or more insurance, taxes, depreciation, and rent accrued during a year or period of shutdown, than during some other period of equal length, why should such expense, incurred during a period of nonproduction, increase the operating cost of that period? What control has the management over the actual costs? Why should the foremen and superintendents be made to account for increased cost of operation, when in all reality none exists? Operating costs, as a rule, are within the control of department heads, but shutdown costs are not. The keeping of a Shutdown Overhead group of accounts to cover every important department of plant or other operations will be found to possess many important developments in the application of better accounting in the lumber industry.

CHAPTER XVI

BURDEN COST CONTROLS

A control account in general accounting is defined as one whose entries are found itemized in a subsidiary record. However, in cost accounting a control account is one which is charged and credited with all transactions carried on for the benefit of a certain department producing several different products. As expenses are incurred the control accounts are charged. As distributions of these expenses become known, or an accurate estimate is learned, credits are made to the controls and departmental expense, or departmental burden, is charged by journalized entries. Distributions or pro rata entries may be made monthly or annually, according to the policy of the accounting company.

Burden at standard rates is often employed and is a much favored method by many accountants. By such procedure credits to burden cost controls and debits to departmental expense may be made at standard rates, regardless of actual periodic cost. This is an excellent method wherever raw material burden controls are used, and where it is desired not to allow any one period to be affected by temporary fluctuations in market prices. Standard rates may be used for any burden control, allowing the unabsorbed portion to be reprorated, credit or debit as the case may be, to departments originally charged. Many firms elect to transfer the undistributed balance in the cost control to Profit and Loss, although this is a poor procedure to follow.

Perhaps a good example of one of the Burden Cost Control accounts covering the manufacturing division of the lumber industry is the Barn and Teams Expense. This expense is incurred in feeding the horses and in maintenance of barns and equipment. It also covers insurance, taxes, and depreciation on the horses and on the buildings. It would be impossible to charge the various products or departmental expense with their proper proportion of each item of expense as it was paid or accrued. The various expenses are, therefore, charged to a group of accounts devised for the burden control of the barn and

teams, and later this expense is allocated on the basis of team days worked. For illustration, see Figure 42.

In arrangement of cost controls the following points should be considered, so that appropriate departmentalization and account groups may be arranged.

1. Physical boundary of operation
2. Products manufactured within boundary
3. Scope of managements supervision
4. Control of expenses
5. Comparison with other operators in the same industry

An example of Burden Cost Control of the woods operations is the logging railroad. The railroad must be constructed, and it must be operated. The construction cost is carried in the property accounts, which is depreciated over the life of the road, and such depreciation is charged, together with operating labor, supplies, expense, and repairs, to the current operation of the railroad. Like the Barn and Teams expense accounts of the manufacturing division, the railroad accounts of the woods division must be allocated to the various products for which benefit the railroad was built and operated. Proper accounting procedure for the logging railroad is illustrated in Figure 43.

Burden Cost Controls as illustrated in this chapter further provide for unit costs pertaining to their individual departments, viz., cost per team per team day for feed, labor, supplies, taxes, and the like. For the logging railroad the cost per car for labor, coal, supplies, depreciation, and the like are given. This forms an excellent method in providing data for the comparison of unit costs of operations of like nature within the same organization, or with other manufacturers in the same industry.

Burden Cost Controls should be opened wherever practicable, and whenever costs cannot be specifically and accurately distributed at the time of original entry. They may be arranged to cover all labor, supplies, expense, and repairs not directly applicable to any account or accounts at the time of entry, and periodic distribution should be made upon some sound, practical basis founded upon proper accounting theory. It must be remembered, however, that the best method of allocation is but an estimate and is less accurate than appropriately made direct charges. When direct entry can be made it is advisable to do so, as charges so made reduce the amounts to be distributed from the cost control and automatically increase the accuracy of the cost

system. When it is desired to keep the expenses of a certain cost control intact and uniform, it would not be sound reasoning to distribute charges at the time of original entry, but to post same to the cost control, in order to allow the control to reflect the total period cost of that particular department.

There are many methods used to distribute the amounts found in the Burden Cost Control accounts at the end of the period. Conditions peculiar to each specific operation have a direct bearing upon the basis of allocations, and each firm can best devise the method to be applied in each case. Some of the more widely used methods follow:

MACHINE SHOP—cost distributed on the basis of services rendered during the period to which allocation is to apply.

ELECTRIC POWER—cost is best distributed on a metered basis, but when meters are not used, horsepower demand is preferable.

STEAM—cost of steam, steam power plant or boiler power plant is most efficiently apportioned by the installation of steam flow meters. When not done on this basis, allocation may be made on the basis of horsepower demand.

SUPERINTENDENCE—cost distributed on the basis of labor overseen, as reflected by the payroll for such period.

TAXES—basis of direct assessment, or if segregation is not made on the taxing authority's assessment roll, distribution may be made on the basis of investment.

INSURANCE—cost distributed by direct charges on the basis of actual premiums applying to specific items of property. When such segregation is not possible, allocation should be made on the basis of investment in insured property.

BOARDING—cost distributed on the basis of men days worked during the period to which allocation is to apply.

FIRE PROTECTION—cost distributed on the basis of investment in protected property.

The National Association of Cost Accountants, in its Bulletin No. 22, *Cost Accounting in the Lumber Industry,* suggests that superintendence, mill office expense, and all other similar expenses be distributed on the basis of estimated services rendered each department; that the cost of the water system be allocated on the basis of the water used by each department, and that the cost of the woods shop be closed out on the basis of services rendered.

BURDEN COST CONTROL

MANUFACTURING DIVISION

Year Ending December 31, 1927

		Amount	*Team Days*	*Average*
59.	BARN AND TEAMS EXPENSE			
59.1	Labor,	$1,350.00	1,800	$ .75
59.2	Supplies,	180.00	1,800	.10
59.3	Expense—Feed,	4,320.00	1,800	2.40
59.4	Expense—Taxes,	180.00	1,800	.10
59.5	Expense—Depreciation,	900.00	1,800	.50
59.6	Expense—Miscellaneous,	90.00	1,800	.05
59.7	Repairs,	180.00	1,800	.10
	Total Cost,	$7,200.00	1,800	$4.00

ALLOCATION

General Account		*Subaccount's*		
Number	*Name*	*Number*	*Team Days*	*Cost*
20.1	Saw Mill Expense,	20.11	100	$ 400.00
20.3	Yard and Piling Expense,	20.31	500	2,000.00
20.7	Planing Mill Expense,	20.71	50	200.00
20.9	Dry Kiln Expense,	20.91	10	40.00
20.10	Shipping Expense,	20.103	500	2,000.00
23.3	Saw Mill Landing Expense,	23.33	10	40.00
23.7	Landing To Saw Mill Expense,	23.73	5	20.00
28.3	Shingle Mill Landing Expense,	28.33	10	40.00
28.7	Landing To Shingle Mill Expense,	28.73	5	20.00
33.3	Cedar Post Yard Expense,	33.33	20	80.00
33.6	Shipping Expense,	33.63	30	120.00
38.3	Cedar Pole Yard Expense,	38.33	20	80.00
38.6	Shipping Expense,	38.63	10	40.00
43.3	Yard and Piling Expense,	43.33	200	800.00
43.7	Shipping Expense,	43.73	30	120.00
46.1	Shingle Mill Expense,	46.11	10	40.00
46.3	Yard and Piling Expense,	46.33	50	200.00
46.6	Remanufacturing Expense,	46.63	10	40.00
46.7	Shipping Expense,	46.73	10	40.00
49.1	Wood Mill Expense,	49.13	10	40.00
49.2	Delivery Expense,	49.23	100	400.00
49.5	Yard and Piling Expense,	49.53	60	240.00
49.8	Shipping Expense,	49.83	20	80.00
58.1	Saw Mill Landing Expense,	58.13	10	40.00
58.5	Shipping Expense,	58.53	20	80.00
	Total Allocation,		1,800	$7,200.00

Note: If teams were employed at work other than covered by above accounts, the accounts covering such work should of course be included in the allocation.

FIG. 42

BURDEN COST CONTROL

WOODS DIVISION

Year Ending December 31, 1927

		Amount	*Cars Hauled*	*Average*
60.	RAILROAD EXPENSE			
60.1	*Operation,*			
60.11	Labor—Train Crew,	$ 4,500.00	2,000	$ 2.25
60.12	Labor—Miscellaneous,	1,000.00	2,000	.50
60.13	Supplies—Coal,	6,000.00	2,000	3.00
60.14	Supplies—Car Wire,	1,000.00	2,000	.50
60.15	Supplies—Miscellaneous,	1,000.00	2,000	.50
60.16	Expense—Taxes,	200.00	2,000	.10
60.17	Expense—Miscellaneous,	2,800.00	2,000	1.40
		16,500.00	2,000	8.25
60.2	*Repairs,*			
60.21	Logging Railroad—Labor,	8,000.00	2,000	4.00
60.22	Logging Railroad—Material,	1,000.00	2,000	.50
60.23	Logging Railroad Equip.—Labor,	1,500.00	2,000	.75
60.24	Logging Railroad Equip.—Material,	500.00	2,000	.25
		11,000.00	2,000	5.50
60.3	*Depreciation,*			
60.31	Logging Railroad,	4,000.00	2,000	2.00
60.32	Logging Railroad Equipment,	500.00	2,000	.25
		4,500.00	2,000	2.25
	Total Cost,	$32,000.00	2,000	16.00

ALLOCATION

General Account			*Subaccounts*					
			Operation		*Repairs*		*Depreciation*	
No.	*Name*	*Cars Hauled*	*No.*	*Cost*	*No.*	*Cost*	*No.*	*Cost*
24.8	Railroad Expense	1,200	24.81	$ 9,900.00	24.82	$ 6,600.00	24.83	$2,700.00
29.5	Railroad Expense	100	29.51	825.00	29.52	550.00	29.53	225.00
34.5	Railroad Expense	100	34.51	825.00	34.52	550.00	34.53	225.00
39.5	Railroad Expense	50	39.51	412.50	39.52	275.00	39.53	112.50
52.8	Railroad Expense	300	52.81	2,475.00	52.82	1,650.00	52.83	675.00
56.5	Railroad Expense	50	56.51	412.50	56.52	275.00	56.53	112.50
10.21	Railroad Revenue	200		1,650.00		1,100.00		450.00
	Total Allocation,	2,000		$16,500.00		$11,000.00		$4,500.00

Note: Account 10.21 in Allocation schedule represents the Railroad Revenue account appearing in the Profit and Loss group of accounts and covers railroad service done for others. Refer to text on this account in chapter devoted to Profit and Loss accounts.

FIG. 43

CHAPTER XVII

DEPRECIATION

Depreciation in the logging and lumbering industry bears the same significance as in any other industry, and perhaps is best defined as, "expired capital through the causes of disintegration and passage of time." R. H. Montgomery, in his *Income Tax Procedure 1925,* page 1089, defines depreciation as, "The decline in value of property such as may reasonably be expected to occur as a result of wear and tear and gradual obsolescence." It is also often stated that depreciation is the difference between cost and scrap value, and deals with original cost rather than market value. Scrap value is the worth of an article when it is put to use other than in its present form.

All property, with perhaps the exception of land, eventually reaches its end of usefulness. This reduction in property value during a given period, due to the diminishing value of the asset for service, constitutes the amount of depreciation applicable to that period.

Depreciation is a cost of manufacture and production and has repeatedly been held as such by courts and commissions. From the viewpoint of the accountant, the investment in an asset is regarded as a deferred charge to future operations, which is to be allocated by some sound method to various departments by periodic charges during the life of the asset.

There are innumerable causes for this "tearing down" of property, and many factors regulate its rate and extent. Among these are:

1. Nature of the Property
2. Quality of Construction
3. Methods of Operation
4. Climate and Geographic Location
5. Onward trend of Invention
6. Degree of Maintained Efficiency through performed repairs

Machinery in use is subjected to wear and tear. Machinery not in use suffers from rust and exposure. Whether in use or not it becomes subject to obsolescence or perhaps reaches the stage of inadequacy. Buildings are subjected to all the elements of deterioration. Horses

and live stock, while in one sense not subjected to obsolescence, nevertheless depreciate by years of use, sickness and disease, and especially by the methods of employment. Equipment, such as logging, machine shop and foundry, being composed largely of numerous items of property, is subjected to loss and theft as well as depreciation, and while such loss is not actual depreciation, it can best be handled through this medium of accounting. Logging railroads and logging roads and bridges are usually an investment composed almost exclusively of labor and represent almost entirely a deferred charge, with little or no salvage value. The "writing down" of such investment is done by the application of depreciation with periodic charges to expense covering the operations for whose benefit the investment was made.

Instead of actually writing down the property accounts from period to period (with the exception of Timber), a more generally approved plan, and the one favored in this text, is to enter depreciation on the books by setting up a Reserve for Depreciation (see Account 9.98). Such reserve should be credited each period with amounts so written off, with corresponding debits to specific production centers, or to Profit and Loss in case of totally unproductive property. Under such a method, the property accounts remain on the books at their actual cost or appraised value, while the corresponding reserves stand on the books and financial statements as open credits to be deducted from the property value when arriving at the net depreciated value of such property. When the reserve, for which property it has been established, equals the total book value of the property, or if the property is sold, dismantled or abandoned, both the property account and the reserve are closed and the balance, if any, is cleared into Profit and Loss or into the current year's operating accounts in case such balance does not materially affect the current year's costs of production.

In the February, 1928, issue of *Manufacturing Industries,* C. N. Burton, comptroller of Oswald Jaeger Baking Company, says: "New equipment when purchased is charged to an Equipment Account, classified according to the nature of the equipment. A corresponding Reserve for Depreciation Account is set up, to which is credited monthly the depreciation amount decided upon and cost of operations charged.

"The estimated life of each piece of equipment is determined at the time of purchase; also the amount of depreciation to be charged. We exercise great care in determining the life of each piece of equipment. In most cases, when we decided to replace equipment, the reserve was just about equal to the original cost.

"A plant ledger is kept showing cost of each piece of equipment yearly depreciation and sound value. The sum total must always be equal to the controlling account in the General Ledger; likewise, the sum total of depreciation reserves.

"When equipment is sold or discarded, the Equipment and Reserve Accounts are cleared by a journal entry.

"If the reserve is not sufficient to take care of the original cost, such amount is then charged to an account called Profit and Loss on Sale of/or Discarded Assets.

"When equipment lasts longer than the estimated life, we stop charging to operation and retain a nominal residue value in the Equipment account, in order that it will not be overlooked when inventorying our equipment at the end of each year."

The methods of allocation used in the distribution of depreciation are varied in nature and many in number. Some firms charge a stipulated amount per unit of production to the cost of manufacture of that particular unit, allowing the undistributed balance to be charged to some overhead expense account. Many firms charge all their depreciation to the cost of sales in an aggregate sum, or to Profit and Loss in a direct entry, or to overhead, allowing repairs and maintenance alone to be charged to current expense. In the lumber industry it is advisable to prorate all depreciation of property used in operation to the various departments as elements of cost of products so manufactured. This is accomplished by making charges either to depreciation expense accounts or to Burden Cost Controls, the latter being allocated at the end of the period to the centers of production, depending upon the soundest accounting theory applying to each depreciation charge. Allocations are very often made on the following basis:

1. Men Days Worked
2. Team Days Worked
3. Carloads Hauled
4. Hours Operated
5. Square Feet Floor Space Occupied
6. Relation of Investment

After depreciation has been sustained, it may be termed as Earned or Unearned, depending upon the results of the business operations. Earned Depreciation is depreciation for which a return has been made through income. Unearned Depreciation is depreciation which has not

been returned through income, due to the failure of the enterprise to be conducted upon a profitable basis.

Unit Depreciation covers a separate and distinct unit of plant or department, while Composite Depreciation covers the plant or group of units as a whole. Depreciation covering a single machine constitutes Unit Depreciation; depreciation on the Machinery Account would be termed Composite Depreciation. It is obvious that Unit Depreciation should be adhered to wherever possible, in order to ascertain a more true standing of the detailed depreciation charges and depreciated asset value of all property.

The best methods for any industry are those which, when uniformly adopted and applied, will provide the nearest true property values at all times. C. A. Bauer, chief statistician of the Southern Pine Association, writes:

"There is great need for uniformity among lumber manufacturers in disposing of depreciation. The method most used, in fact the best method, in the lumber industry is to charge off depreciation at a set rate per thousand feet of production. The cost of plant and equipment less its residual or wrecking value, divided by the footage of standing timber owned (preferably the estimated board measure footage), yields the rate per thousand feet board measure at which the plant is to be depreciated. This rate multiplied by the monthly mill cut yields the amount to be charged against the month's operations for depreciation. This amount is of course proportioned to logging, milling, and commercial departments in the ratio of their respective investments in depreciable property.

"It is scarcely possible that any one particular unit rate will apply throughout the life of the operation. Additions and disposals will take place from time to time, necessitating adjustment in the unit rate, but this rate is always the book value or cost of the total investment less depreciation accrued to date, divided by the available timber stand.

"Equipment of comparatively short life is ordinarily charged directly to operating expenses, or set up as a temporary asset and amortized monthly based upon its estimated period of service.

"The production method is undoubtedly the best method of accounting for depreciation in the lumber industry. Special depreciation on a straight line or fixed percentage basis may be advisable for certain assets of brief usefulness, but it is generally of advantage especially in comparative cost statistics, when all properties can be thrown together and depreciated at a certain rate based on production."

There are many methods of computing depreciation, of which the following are the most widely used:

1. Relation of Timber to Investment Method
2. Straight Line Method
3. Working Hours or Unit Production Method
4. Revaluation or Inventory Method
5. Sum of Digits Method
6. Sinking Fund Method
7. Annuity Method

1. **Relation of Timber to Investment Method.** This method is, no doubt, the most favored in the entire lumber industry and without question the one most correct when applied to mills and property whose investment bears a direct relationship to the timber holdings.

From the accounting standpoint such investment in property and plants is regarded as a deferred expense to be spread uniformly to the cost of manufacturing, the periodic amount depending upon the quantity of timber cut. The quotient obtained by dividing (1) the depreciated book value of the property at the beginning of the period, (2) plus additions to and/or removals from such book value during the period, (3) less total estimated salvage value, by (1) the sum of the board feet measure log scale of timber owned at the beginning of the period and with sound reasons assumed to have a direct relationship to the investment, (2) plus additions to and/or sales of timber during the period, is the unit rate of depreciation applying to such property for that period. This rate applied to the periodic mill cut yields the periodic depreciation charge and reserve credit. It is obvious that subsequent purchases and/or sales of standing timber will automatically increase or decrease the unit depreciation rate for following periods by changing the divisor in the calculations.

Timber or timber rights owned or held, and which do not bear a direct relationship to the investment in the particular property which is to be depreciated, should not be considered in arriving at the unit rate. For example, a timber tract owned, from which logs are to be sold when cut instead of being transported to the mill for manufacture, should not be included in computing the depreciation rate of such mill. The same is true of other property being depreciated by this method. In the case of logging railroads or logging roads and bridges, only the timber tributary to such railroad or road and bridges should be used in determining the depreciation rate of the investment.

Example: A saw mill building was constructed by ZX Company at a cost of $160,000.00. The firm owns 150,000,000 feet of standing timber, all of which will be cut in the mill. The salvage value of the building is estimated at $10,000.00. Assume that the timber will be cut within 10 years and that no additions to or sales therefrom will be made during that period. Assume the cut to be as follows:

Year 1910,	15,000,000 ft.
1911,	15,000,000
1912,	12,000,000
1913,	14,000,000
1914,	18,000,000
1915,	18,000,000
1916,	17,000,000
1917,	12,000,000
1918,	12,000,000
1919,	17,000,000

Show the annual depreciation charge, accumulated reserve, and depreciated asset value, using the Relation of Timber to Investment Method.

Solution:

$160,000.00 less $10,000.00 equals $150,000.00

$150,000.00 divided by 150,000,000 (ft.) equals $1.00 per M ft. Unit rate.

SCHEDULE

Year	*Mill Cut*	*Annual Depreciation Charge*	*Accumulated Depreciation Reserve*	*Depreciated Asset Value*
				$160,000.00
1910	15,000,000 ft.	$15,000.00	$ 15,000.00	145,000.00
1911	15,000,000	15,000.00	30,000.00	130,000.00
1912	12,000,000	12,000.00	42,000.00	118,000.00
1913	14,000,000	14,000.00	56,000.00	104,000.00
1914	18,000,000	18,000.00	74,000.00	86,000.00
1915	18,000,000	18,000.00	92,000.00	68,000.00
1916	17,000,000	17,000.00	109,000.00	51,000.00
1917	12,000,000	12,000.00	121,000.00	39,000.00
1918	12,000,000	12,000.00	133,000.00	27,000.00
1919	17,000,000	17,000.00	150,000.00	10,000.00

2. **Straight Line Method.** This is the most common method and the simplest of computation. It is widely favored by accountants in

all industries, and by the Treasury Department in the adoption of uniform allowances in Income Tax Returns.

Example: Show the annual depreciation charge, accumulated reserve, and depreciated asset value of a log loader bought for $1,000.00, having an estimated life of 10 years and a scrap value of $100.00.

Solution:

$1,000.00 less $100.00 equals $900.00

$900.00 divided by 10 (years) equals $90.00

SCHEDULE

Years	*Annual Depreciation Charge*	*Accumulated Depreciation Reserve*	*Depreciated Asset Value*
			$1,000.00
1	$90.00	$ 90.00	910.00
2	90.00	180.00	820.00
3	90.00	270.00	730.00
4	90.00	360.00	640.00
5	90.00	450.00	550.00
6	90.00	540.00	460.00
7	90.00	630.00	370.00
8	90.00	720.00	280.00
9	90.00	810.00	190.00
10	90.00	900.00	100.00

3. **Working Hours or Unit Production Method.** This method is based upon the estimated number of units or hours of service a machine will produce. The great advantage in this method is that overtime operation of the machine or plant is automatically taken care of in the computations and unlike the Straight Line Method, it writes down the asset in proportion to its operation, placing uniform charges to manufacturing cost. In this respect it is somewhat similar to the Relation of Timber to Investment Method.

Any additions to the machine, for example, an attachment which would improve its operation or prolong its life, should of course be charged to the investment account, and depreciated over the remaining life of the machine by revision of the unit depreciation rate.

Example: Show the annual depreciation charge, accumulated reserve, and depreciated asset value of a wood working machine purchased at a cost of $1,000.00 and having no estimated scrap value. It is found from past experience that such machines will produce

25,000 units of product during their life, and this number should be the basis for present calculations.

For the first three years the machine is run at normal production; the remaining five years are periods of overtime and high production.

Solution:

$1,000.00 divided by 25,000 equals $.04 average.

SCHEDULE

Year	*Units Produced*	*Unit Rate*	*Annual Depreciation Charge*	*Accumulated Depreciation Reserve*	*Depreciated Asset Value*
					$1,000.00
1	2,000	$ .04	$ 80.00	$ 80.00	920.00
2	2,500	.04	100.00	180.00	820.00
3	2,400	.04	96.00	276.00	724.00
4	3,200	.04	128.00	404.00	596.00
5	3,600	.04	144.00	548.00	452.00
6	3,700	.04	148.00	696.00	304.00
7	3,800	.04	152.00	848.00	152.00
8	3,800	.04	152.00	1,000.00	.00

4. **Revaluation or Inventory Method.** This method provides for periodic inventory of property, allowing the amount of diminished value to reflect as depreciation for the period. Such periodic revaluation provides closer approximation of actual deterioration and affords an accurate record of property on hand at a given date. It is an excellent method when applied to equipment and property consisting of numerous items which are used in the business and at the same time subject to loss and theft.

Columns (a) Quantity, (b) Items, and (e) Condition are filled in from information furnished by the persons in charge where property is in use. The columns marked (c) and (d), Original Cost, are filled in from data found in the office, and column (f), Depreciated Asset Value, is found by applying the per cent of condition in column (e) against the value in column (d). When the inventory sheets are completed, they are footed and the totals brought down at the bottom of the schedule. The total of the Depreciation Reserve on the books at the beginning of the period covering the specific property hereby inventoried, added to the total of column (f), Depreciated Asset Value, and subtracted from the original cost or book value of the property as shown by column (d), constitutes the depreciation charge for the period.

SCHEDULE

(a)	(b)	(c)	(d)	(e)	(f)
		Original Cost		*%*	*Depreciated*
Quantity	*Items*	*Each*	*Total*	*Condition*	*Asset Value*
10	Wagons—Brice #1013-A,	$60.00	$ 600.00	80	$ 480.00
10	Wagons—Octavor #66,	30.00	300.00	60	180.00
60	Axes—D. B. 3½#, Brule A'S,	1.50	90.00	80	72.00
20	Hammers—nail, #10,	.50	10.00	75	7.50
1	Drill Press—Graham #G–11,	18.00	18.00	50	9.00
2	Drill Press—Hamil-31C,	15.00	30.00	90	27.00
12	Wrench—Westcott nut 6",	1.00	12.00	50	6.00
	Totals,	.....	$23,000.00	.....	$18,000.00
	Depreciation Reserve—Beginning,				3,000.00
			23,000.00		21,000.00
	Depreciation for Period,				2,000.00
			$23,000.00		$23,000.00

5. **Sum of Digits Method.** This method is easily computed when understood, and is a very efficient method of depreciating property requiring extensive repairs during the later years of life. It places the heaviest burden of depreciation during the earlier years when maintenance charges are small and is based upon the theory that the sum of the depreciation and repairs makes a periodic burden of comparatively equal amounts.

Procedure:

(a) Find the sum of the digits or numbers representing the periods of estimated life of the asset. Use this sum as a denominator for certain fractions.

(b) Use the same digits or numbers in inverse order as the numerators of these fractions.

(c) Compute the periodic depreciation by multiplying the total depreciation by the fractions in (a) and (b).

Example: Show the periodic depreciation charge, accumulated reserve, and depreciated asset value of a delivery truck bought for

$1,200.00, having an estimated life of 10 years and a scrap value of $100.00.

SCHEDULE

Periods	*Periodic Fraction*	*Periodic Depreciation Charge*	*Accumulated Depreciation Reserve*	*Depreciated Asset Value*
				$1,200.00
1	10/55	$ 200.00	$ 200.00	1,000.00
2	9/55	180.00	380.00	820.00
3	8/55	160.00	540.00	660.00
4	7/55	140.00	680.00	520.00
5	6/55	120.00	800.00	400.00
6	5/55	100.00	900.00	300.00
7	4/55	80.00	980.00	220.00
8	3/55	60.00	1,040.00	160.00
9	2/55	40.00	1,080.00	120.00
	1/55	20.00	1,100.00	100.00
	55/55	$1,100.00	$1,100.00	$ 100.00

c. Sinking Fund Method. The Sinking Fund Method is based upon the theory that the money set aside in a fund should draw interest, this interest to be added to the fund at the end of each period. The interest on the accumulated fund, plus a theoretic deposit to sinking fund, equals the charge to depreciation. The burden charge, therefore, increases from period to period to the extent of the interest on the increasing balance in the fund.

In theory whenever a reserve is created, a fund of equal amount is also established, though it may be impossible to lay a finger on the assets which comprise it. It is evident that it is not necessary to create a cash fund or open up a fund account on the books in order to use the sinking fund method of depreciation; nevertheless, some concerns do create fund accounts for this purpose.

Example: An electric generator is purchased at a cost of $3,000.00, having an estimated life of 10 years and a scrap value of $200.00. Money is worth 6%. Compound interest on $1.00 for 10 years at 6% is .7908477. Show the annual depreciation charge, accumulated depreciation reserve, and depreciated asset value of the generator.

Solution:

(a) .7908477 (compound interest on $1.00 for 10 years at 6%) divided by .06 (interest on $1.00 for 1 year at 6%), equals $13.-

180795, amount of an equal payment of $1.00 for 10 years at 6% compound interest.

(b) $2,800.00 (net investment to be depreciated), divided by $13.-180795 (found in a) equals $212.43, periodic deposit to theoretical sinking fund, with charge to depreciation and credit to depreciation reserve.

SCHEDULE

Year	*Periodic Dr. to Depreciation and Cr. to Reserve*	*Theoretic Deposit to Fund*	*Periodic Accretion of Interest on Fund*	*Accumulated Depreciation Reserve*	*Depreciated Asset Value*
					$3,000.00
1	$ 212.43	$ 212.43		$ 212.43	2,787.57
2	225.18	212.43	$ 12.75	437.61	
3	238.69	212.43	26.26	676.30	
4	253.01	212.43	40.58	929.31	
5	268.19	212.43	55.76	1,197.50	
6	284.28	212.43	71.85	1,481.78	
7	301.33	212.43	88.90	1,783.11	
8	319.42	212.43	106.99	2,102.53	897.47
9	338.58	212.43	126.15	2,441.11	558.89
10	358.89	212.43	146.46	2,800.00	200.00
	$2,800.00	$2,124.30	$675.70	$2,800.00	$ 200.00

7. **Annuity Method.** The theory applied in this method is that interest on the remaining investment in the asset at the beginning of the period should be added to the depreciation for the period and the interest credited to revenue. It allows for an equal annual charge to depreciation and will write down the asset to salvage and will provide interest on the investment from beginning to end of the property life.

Example: Show the annual depreciation charge, accumulated depreciation reserve, and depreciated asset value of a machine purchased at a cost of $2,000.00, having an estimated scrap value of $200.00 and a life of 10 years. The present value of an annuity of 1 for 10 periods at 5% is $7.7217, as shown by an annuity table.

Solution:

$1,800.00 (net investment to be depreciated), divided by $7.7217 (present value of an annuity of 1 for 10 periods at 5%) equals $233.11.

$200.00 (Scrap value) at 5% for 1 year equals $10.00. $233.11 plus $10.00 equals $243.11, annual depreciation charge.

SCHEDULE

Year	Annual Depreciation Charge	Credit to Interest	Credit to Depreciation Reserve	Accumulated Depreciation Reserve	Depreciated Asset Value
					$2,000.00
1	$ 243.11	$100.00	$ 143.11	$ 143.11	1,856.89
2	243.11	92.84	150.27	293.38	1,706.62
3	243.11	85.33	157.78	451.16	1,548.84
4	243.11	77.44	165.67	616.83	1,383.17
5	243.11	69.16	173.95	790.78	1,209.22
6	243.11	60.46	182.65	873.43	1,026.57
7	243.11	51.33	191.78	1,165.21	834.79
8	243.11	41.75	201.36	1,366.57	633.43
9	243.11	31.68	211.43	1,578.00	422.00
10	243.11	21.11	222.00	1,800.00	200.00
	$2,431.10	$631.10	$1,800.00	$1,800.00	$ 200.00

Quotations from Regulations 45 of the Treasury Department

Art. 165. Method of Computing Depreciation Charge. The capital sum to be replaced should be charged off over the useful life of the property either in equal annual installments or in accordance with any other recognized trade practice, such as an apportionment of the capital sum over units of production. Whatever plan or method of apportionment is adopted must be reasonable and should be described in the return.

Art. 166. Modification of Method of Computing Depreciation. If it develops that the useful life of the property has been underestimated, the plan of computing depreciation should be modified and the balance of the cost of the property, or its fair market value as of March 1, 1913, not already provided for through a depreciation reserve or deducted from book value, should be spread over the estimated remaining life of the property. A taxpayer who in computing depreciation allowances in returns for years prior to 1918 has not taken ordinary obsolescence into consideration may for the year 1918 and subsequent years revise the estimate of the useful life of any property so as to allow for such obsolescence as may be expected from experience to result from the normal progress of the art. No modification of the method should be made on account of changes in the market value of the property from time to time, such as, on the one hand, loss in rental value of buildings due to deterioration of the neighborhood, or, on the other, appreciation due to increased demand. The conditions affecting such market value should be taken into consideration only so far as they affect the estimate of the useful life of the property.

Art. 169. Charging Off Depreciation. A depreciation allowance, in order to constitute an allowable deduction from gross income, must be charged off. The particular manner in which it shall be charged off is not material, except that the amount measuring a reasonable allowance for depreciation must be either deducted directly from the book value of the assets or preferably credited to a depreciation reserve account, which must be reflected in the annual balance

sheet. The allowances should be computed and charged off with express reference to specific items, units, or groups of property, each item or unit being considered separately or specifically included in a group with others to which the same factors apply. The taxpayer should keep such records as to each item or unit of depreciable property as will permit the ready verification of the factors used in computing the allowance for each year for each item, unit, or group.

Art. 170. Closing Depreciation Account. If the use of any property in the business is permanently discontinued, although no sale or other disposition of the property has taken place, a determination of any gain or loss may be made; but any deduction in respect of any loss thereon must be disclosed in the taxpayer's return for the year in which the determination is made and a full statement of the facts and the basis upon which the computation is calculated must be attached to the return. Upon a sale or other disposition of the property, the consideration received shall be compared with the amount of the estimated salvage value used in computing the gain or loss as above provided, and the amount of the difference shall be treated as a gain or loss, as the case may be, of the year in which the sale or other disposition was made.

CHAPTER XVIII

THE SIMPLIFIED INVOICE

Every reader, no doubt, has had more or less experience in the handling of invoices and realizes, at least in part, the time and expense, to say nothing about the annoyance, caused by the many different sizes, styles, and terminology used in the construction of invoices.

Thousands of invoices are passed through the office routine of an average firm within a year's time. The invoices are varied in style, wording, spacing, and ruling. The cost of handling incoming and outgoing invoices, due to this lack of uniformity of style, has placed a tremendous expense upon industry, which should be eliminated. This extravagance has continued in business until it has reached a point of substantial waste, and the lumber industry has borne its share.

Office practice varies considerably with respect to firms, but the possibilities are that an acknowledgment of order, shipping memo, stock requisition, invoice, and other forms, all holding the same data as the invoice, with the exception of prices and extensions, are written separately, whereas good billing outline would enable the writing of the four or more copies in one operation. The spacing, ruling, and carbon sheets, can be so arranged as to omit prices on the copies, and the ruling of copies can be so placed as to meet each particular need. The Ford Motor Company of Detroit writes the following in one billing operation: Invoice, Posting Copy, Shipping Copy, Packing Slip, Shipping Release, and Stock Clerk Requisition.

As the invoices come to us daily, each one of them contains some such data as the following:

Invoice Number
Invoice Date
Vendor's Number
Customer's Order Number
Customer's Order Date
Requisition Number
Contract Number

Name of Purchaser
Address of Purchaser
Destination of Goods
Date Shipped
Car Initials and Number
Route
Terms
Quantity
Description
Price
Amount.

As the ordinary invoice passes through the office, plant or yard of the customer, on its journey for O.K., accounting, and payment, it becomes mutilated from rubber stamps of the receiving, distributing, and accounting departments. When it finally reaches the disbursement department for entry and payment, the data have become so obliterated as to be hardly discernible. The stamps usually bear some such terminology as the following:

Register Number
Voucher Number
F.O.B.
Terms O.K.
Price O.K.
Extensions O.K.
Material Received
Adjustments
Account Distribution
Audited
Approved for Payment.

The simplified invoice minimizes billing work, eliminates waste and annoyance, and saves money. Figure 44 shows the official Simplified Invoice form which was endorsed by the Division of Simplified Practice, Department of Commerce, Washington, D. C., after the unanimous agreement of Committees representing both National Standard and Uniform Invoice Forms, February 16, 1927. Since that time many of the progressive firms throughout the country, representing various branches of industry, have adopted its use.

The following rules apply to the Simplified Invoice, in order that it be made Standard:

1. "Customer's Use" block must be exactly as shown
2. Designations must all be shown
3. Sequence and position of designation must be as shown
4. Sizes— 8 1/2" from side to side.

   7" / 11" / 14" } from top to bottom.

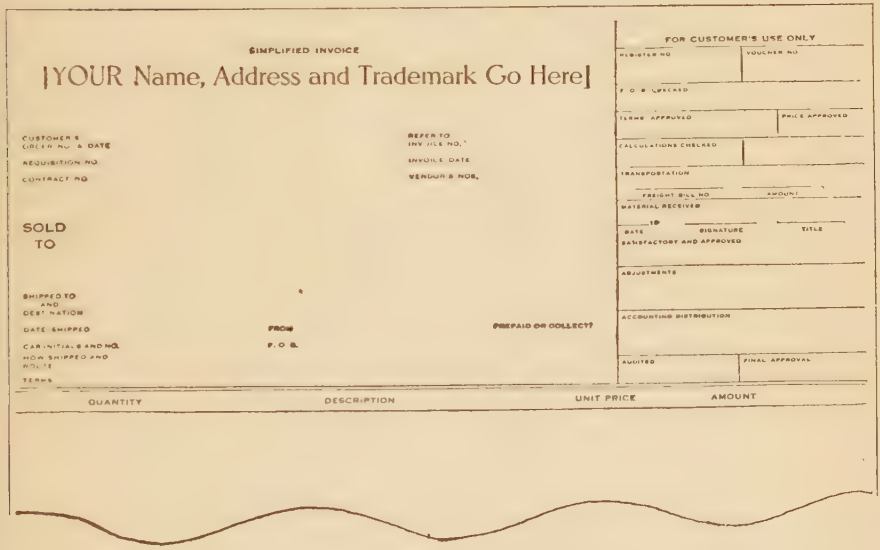


FIG. 44. OFFICIAL SIMPLIFIED INVOICE

OPTIONAL FOR USER'S CONVENIENCE

1. Size and arrangement of space for vendor's name, address, trade mark, etc., may be changed as desired.
2. Spacing both horizontal and vertical, to left of "Customer's Use" block, may be changed as desired.
3. "Shipped to and Destination" may be arranged for window envelope.
4. "Quantity," "Description," "Price," and "Amount" columns may be subdivided as desired.
5. Invoices to retailers should provide a column 7/8" wide to the right of "Amount" column and headed "For Retailer's Use."

The Ford Motor Company has adopted the Simplified Invoice, here shown in Figure 45. Writing on this subject, the company states:

"We have been analyzing the various styles and sizes of invoices used by our shippers, as well as the arrangement of information shown thereon, and have come to the conclusion that there is considerable unnecessary effort in handling the work, resulting in high costs at both ends. We are convinced that a simplified invoice will minimize the clerical work involved and prove of mutual benefit to Sellers and Purchasers.

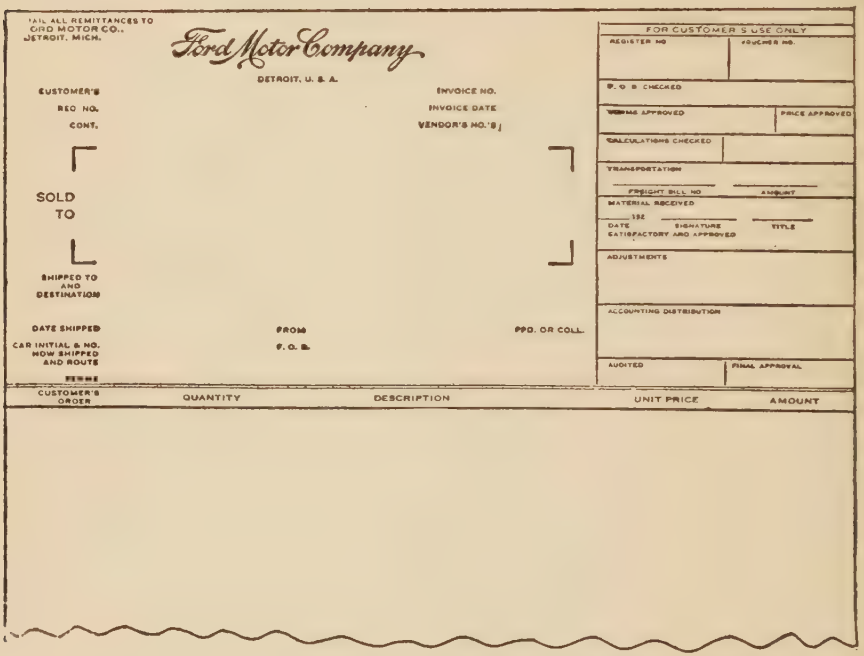


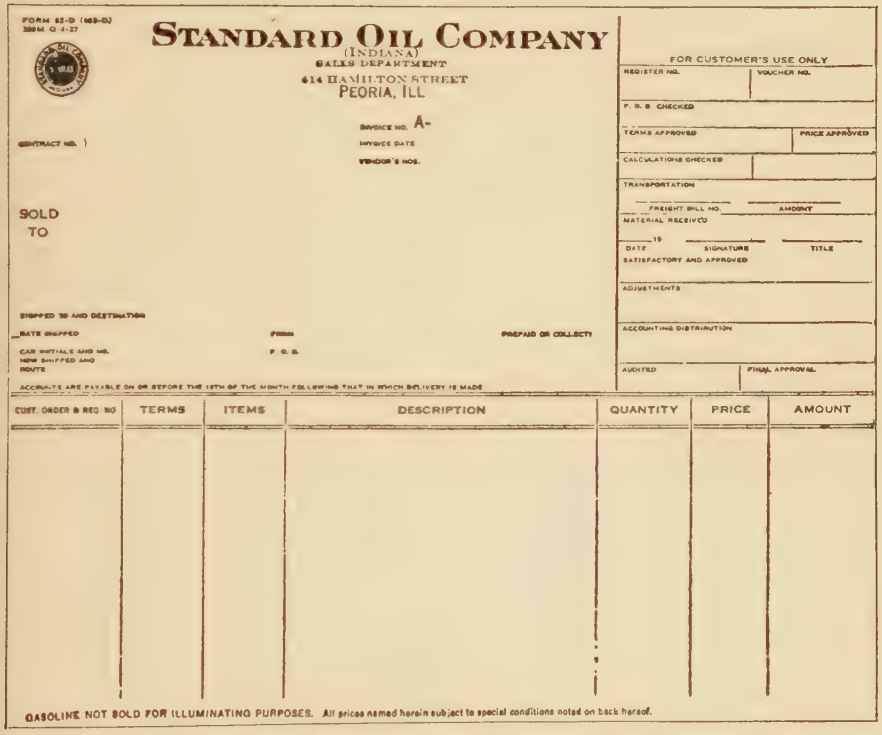
FIG. 45. OFFICIAL SIMPLIFIED INVOICE—FORD MOTOR COMPANY

"A simplified invoice should provide Fixed Spaces where Purchasers can find certain information such as Purchase Order Number, Terms, Car Number, Routing, Destination, etc. It should also provide Fixed Spaces for purchasers' approvals and allow necessary space for notations. While a simplified invoice should be letter size (8½" x 11"), the length may be varied to 7" minimum or 14" maximum, depending upon the number of items usually billed.

"With information always appearing in Fixed Spaces, the pronounced advantage of a simplified invoice will be a curtailment of time in passing and paying invoices, with a consequent reduction of work for Seller and Purchaser. Millions of dollars have been saved annually

through the adoption of the uniform commercial methods, and we believe a simplified uniform invoice will become as universally popular and have the same economical effect as the Uniform Bill of Lading."

The Standard Oil Company (Indiana) has also adopted the Simplified Invoice, and commenting in this regard, states: "We feel anything that can be done to further the use of the Simplified Invoice Form is a step in the right direction." This invoice is shown in Figure 46.



STANDARD OIL COMPANY
(INDIANA)
SALES DEPARTMENT
614 HAMILTON STREET
PEORIA, ILL

INVOICE NO. A-
INVOICE DATE
VENDOR'S NOS.

CONTRACT NO.

SOLD TO

SHIPPED TO AND DESTINATION

DATE SHIPPED — FROM — PREPAID OR COLLECT?

CAR INITIALS AND NO. — HOW SHIPPED AND ROUTE — F. O. B.

ACCOUNTS ARE PAYABLE ON OR BEFORE THE 10TH OF THE MONTH FOLLOWING THAT IN WHICH DELIVERY IS MADE

FOR CUSTOMER'S USE ONLY

REGISTER NO. — VOUCHER NO.

F. O. B. CHECKED

TERMS APPROVED — PRICE APPROVED

CALCULATIONS CHECKED

TRANSPORTATION

FREIGHT BILL NO. — AMOUNT

MATERIAL RECEIVED

DATE 19 — SIGNATURE — TITLE

SATISFACTORY AND APPROVED

ADJUSTMENTS

ACCOUNTING DISTRIBUTION

AUDITED — FINAL APPROVAL

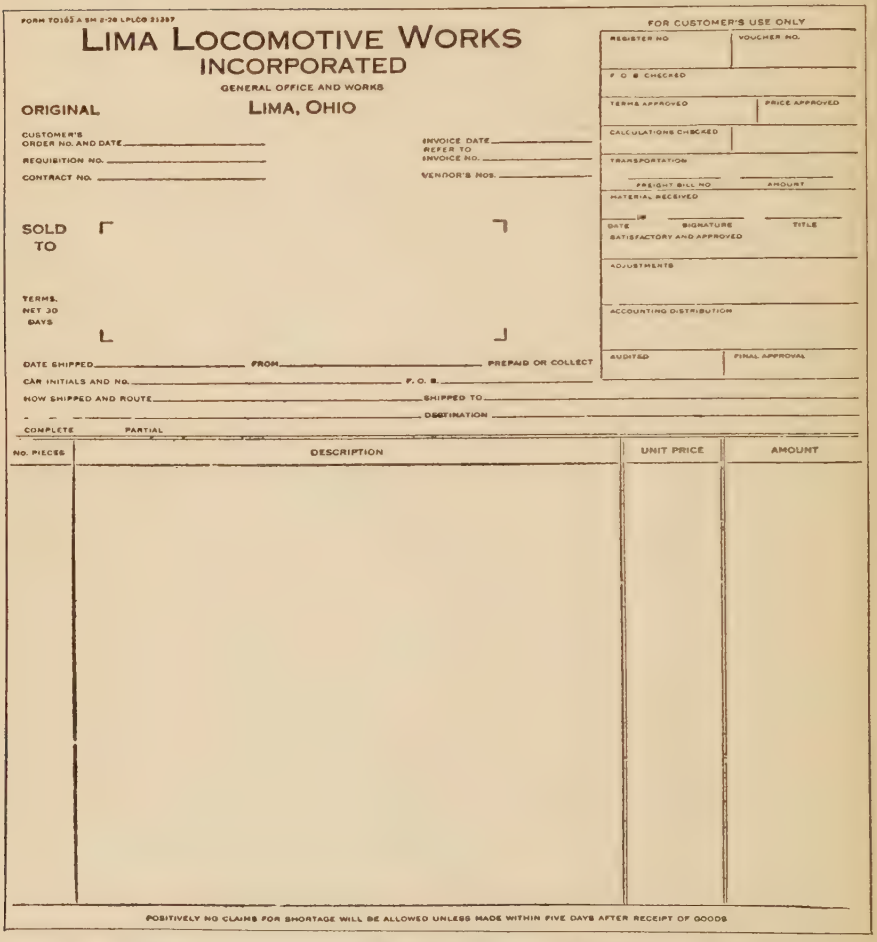
CUST. ORDER & REQ. NO	TERMS	ITEMS	DESCRIPTION	QUANTITY	PRICE	AMOUNT

GASOLINE NOT SOLD FOR ILLUMINATING PURPOSES. All prices named herein subject to special conditions noted on back hereof.

FIG. 46. OFFICIAL SIMPLIFIED INVOICE—STANDARD OIL COMPANY (*Indiana*)

In answer to the popular demand, the Lima Locomotive Works, Inc. has likewise adopted it, and a copy of its form is shown in Figure 47.

Many other firms, too numerous to mention, have arranged their invoice forms to conform to this standard. The lumber industry, as an industry, should also adopt the Simplified Invoice and should insist that all invoices rendered to it be prepared on the Simplified Form. The lumber trade associations should cooperate in this movement, and thus eliminate one of the most trying and expensive business barnacles which have so long been a burden to the entire industry.



FORM TO165 A SM 2-28 LPLCO 21397

LIMA LOCOMOTIVE WORKS
INCORPORATED
GENERAL OFFICE AND WORKS
LIMA, OHIO

ORIGINAL

CUSTOMER'S ORDER NO. AND DATE
REQUISITION NO.
CONTRACT NO.

INVOICE DATE
REFER TO INVOICE NO.
VENDOR'S NOS.

SOLD TO

TERMS, NET 30 DAYS

DATE SHIPPED ____ FROM ____ PREPAID OR COLLECT
CAR INITIALS AND NO. ____ F. O. B. ____
HOW SHIPPED AND ROUTE ____ SHIPPED TO ____
DESTINATION ____
COMPLETE PARTIAL

FOR CUSTOMER'S USE ONLY

REGISTER NO. | VOUCHER NO.
F O B CHECKED
TERMS APPROVED | PRICE APPROVED
CALCULATIONS CHECKED
TRANSPORTATION
FREIGHT BILL NO. | AMOUNT
MATERIAL RECEIVED
DATE | SIGNATURE | TITLE
SATISFACTORY AND APPROVED
ADJUSTMENTS
ACCOUNTING DISTRIBUTION
AUDITED | FINAL APPROVAL

NO. PIECES	DESCRIPTION	UNIT PRICE	AMOUNT

POSITIVELY NO CLAIMS FOR SHORTAGE WILL BE ALLOWED UNLESS MADE WITHIN FIVE DAYS AFTER RECEIPT OF GOODS

FIG. 47. OFFICIAL SIMPLIFIED INVOICE—LIMA LOCOMOTIVE WORKS, INC.

CHAPTER XIX

THE ACCOUNTING RECORDS

It would seem impossible to design any great number of accounting forms which could be uniformly adopted by the lumber industry. Moreover, it would appear to require many volumes to present all the records and sheets used in and about the office and operations of the woods, mills, and yards.

However, some of the most important forms are capable of being standardized and are necessary for proper accounting of lumber manufacturing firms. Some of these are illustrated and briefly discussed in this chapter.

Most of these records are in practical use today and giving excellent results, but not many of them are in use by the same firm. Some few have been specially devised to include the best features of several related forms. Different operating conditions, different species and kinds of products, size of the operations, and the like may necessitate revision in the proposed forms in some cases, but this should not destroy the general make-up and qualities illustrated. Instead, these records should be an important factor in the application of uniform accounting methods.

General Ledger Sheet. This form could very easily be made uniform among lumber manufacturing firms. A well-arranged form is shown in Figure 48. Standard size would be 11″ x 14″.

A sheet of similar design, but smaller in size, may be used for the various Expense Ledgers.

Customer's Ledger Sheet. A well-arranged Customer's Ledger Sheet is shown in Figure 49 and should be standardized in the lumber business. This form is used exclusively by the Wisconsin Land & Lumber Company and has been found to possess all the merits of a perfect record of customers' accounts.

Land Sales Contract Ledger Sheet. Figure 50 provides an excellent form for this record; it is complete in every detail. All firms selling lands under the time-payment contract should maintain such a record, to support the accounts in the General Ledger relative to land sales.

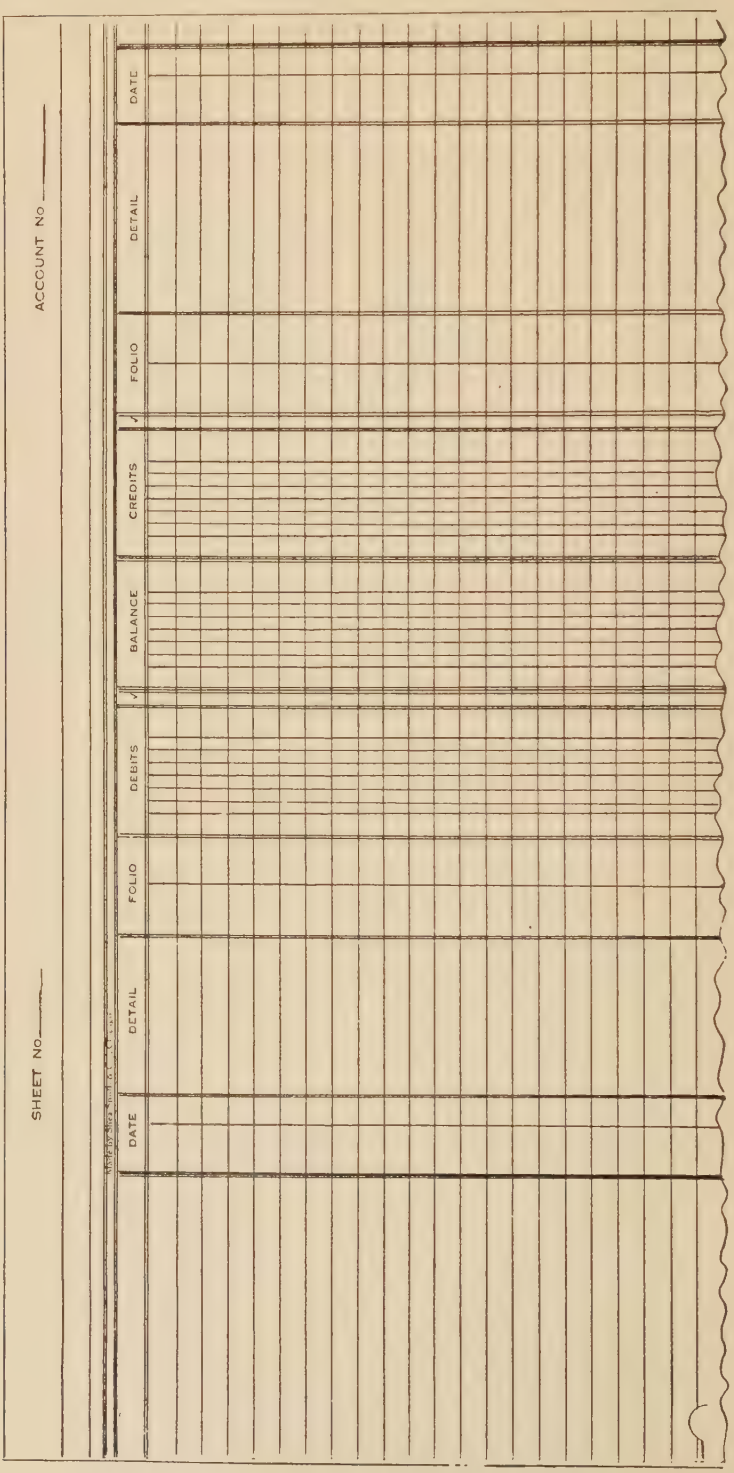


Fig. 48. General Ledger Sheet

Plant Ledger Sheet. There is only one correct method of providing an itemized and accurate record of property and depreciation —the Plant Ledger.

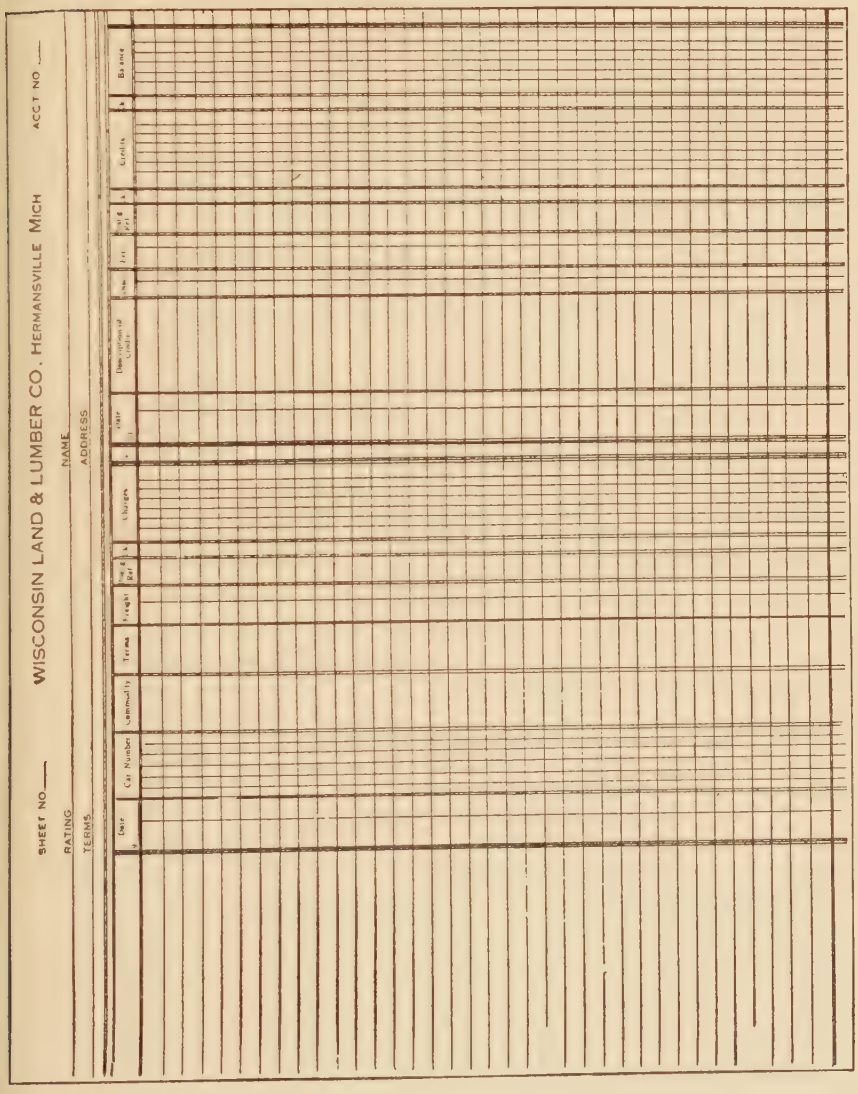


FIG. 49. CUSTOMER'S LEDGER SHEET

It gives a detailed history of specific items and units of property, classified by department, group or kind. It should show the name of the unit group to which it belongs, description, original cost, additions, removals, list each periodic depreciation charge separately, show each

charge to the depreciation reserve, and give the total accumulated depreciation reserve to date. Such a form is given in Figure 51.

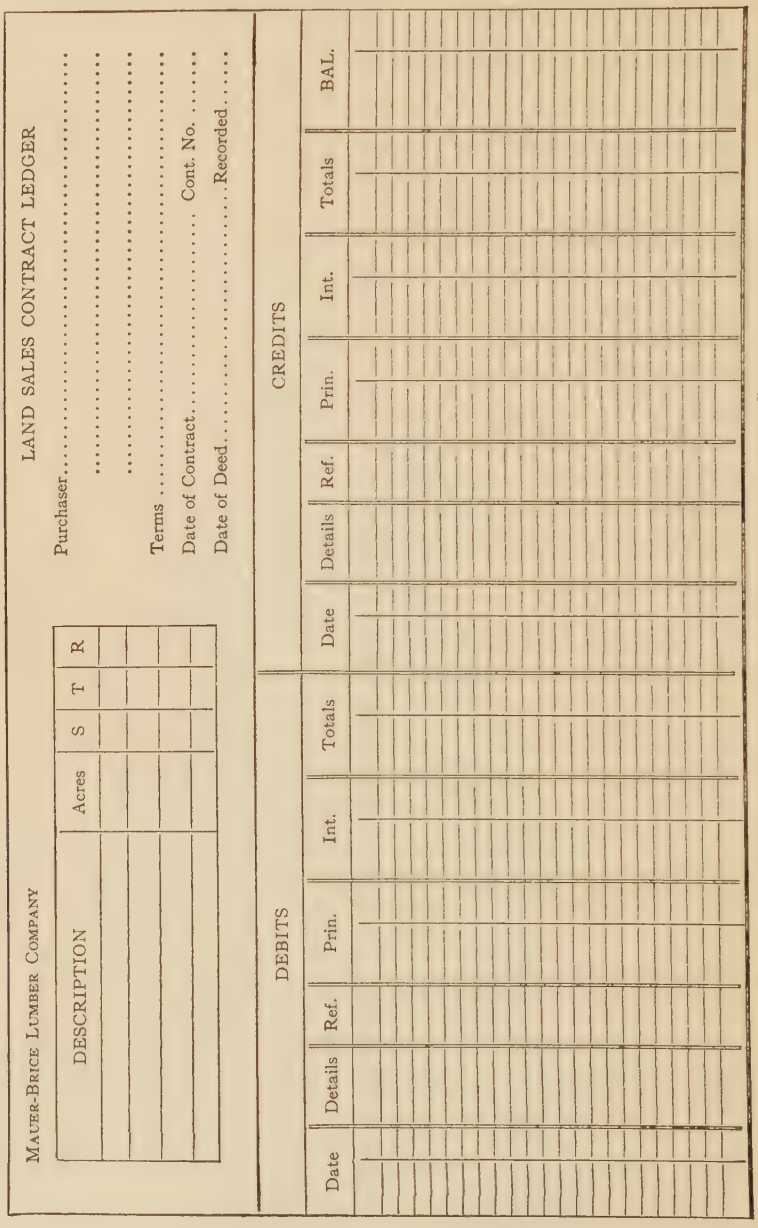
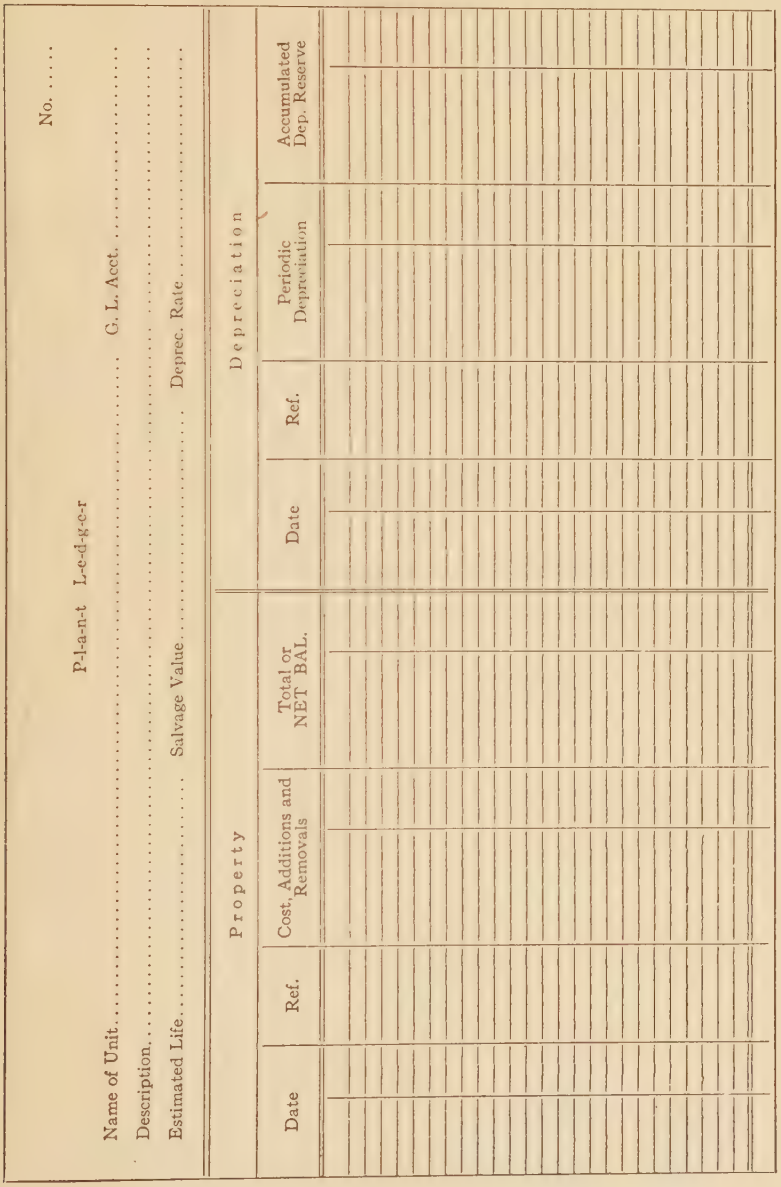


FIG. 50. LAND SALES CONTRACT LEDGER SHEET

The original cost, showing data and posting reference, should be entered in the columns provided under "Property." Additions to prop-

erty at subsequent dates may be entered under the original entry. Removals or sales of property may be entered in the same manner, but



No. .....

Plant Ledger

Name of Unit ..... G. L. Acct. .....

Description .....

Estimated Life ..... Salvage Value ..... Deprec. Rate .....

Property				Depreciation			
Date	Ref.	Cost, Additions and Removals	Total or NET BAL.	Date	Ref.	Periodic Depreciation	Accumulated Dep. Reserve

FIG. 51. PLANT LEDGER SHEET

in red ink, and deducted from the previous balance, allowing the new balance to be carried forward.

NAME
ADDRESS

ACCOUNT NO.
SHEET NO.

	Date	Description	C. J. Folio	Check No.	✓	Debits	Date	Place Worked	Days	Rate		Credits

Fig. 52. Employees' Payroll Ledger Sheet

Page 87

C - A - S - H

BANK		DRAWER		DEDUCTIONS					DETAIL
Dr.	Cr.	Dr.	Cr.	Allows.	Comm's.	Disct.	Frt.	[illegible]	

Page 87

B - O - O - K

Check			Customers Ledger #1		Customers Ledger #2		General Ledger		Expense Ledger	
C	G	E	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.

FIG. 53. CASH BOOK

Periodic depreciation should be entered on the right side of the sheet, giving date, posting reference, and amount. This is added to the former balance in the "Accumulated Depreciation Reserve" column, and a new balance carried forward. Charges to the "Accumulated Depreciation Reserve" are entered in the same manner, but in red ink, and treated as a deduction.

Thus, the groups of items of property as shown in the Plant Ledger agree and remain in balance with the property and depreciation reserve accounts in the General Ledger.

Employees' Payroll Ledger Sheet. Many firms keep subsidiary Payroll Ledgers, in which separate accounts are opened with each employee, and in many cases this is an important record. A form for this purpose is shown in Figure 52.

The individual accounts are credited at the end of each pay period with amounts earned, as shown on the Payroll. The accounts are then charged with Payroll Checks, Time Orders, cash, board, hotel, or other items, when given employees as payment.

Such ledgers are often kept in general offices, when operations are far remote, and thus insure correctness of clerks, timekeepers, or paymasters at the operations; overcharges and undercharges are quickly reflected in the accounts of the employees. It also serves as a record supporting income tax returns, when it is necessary to report wages and salaries paid during the taxable year to employees.

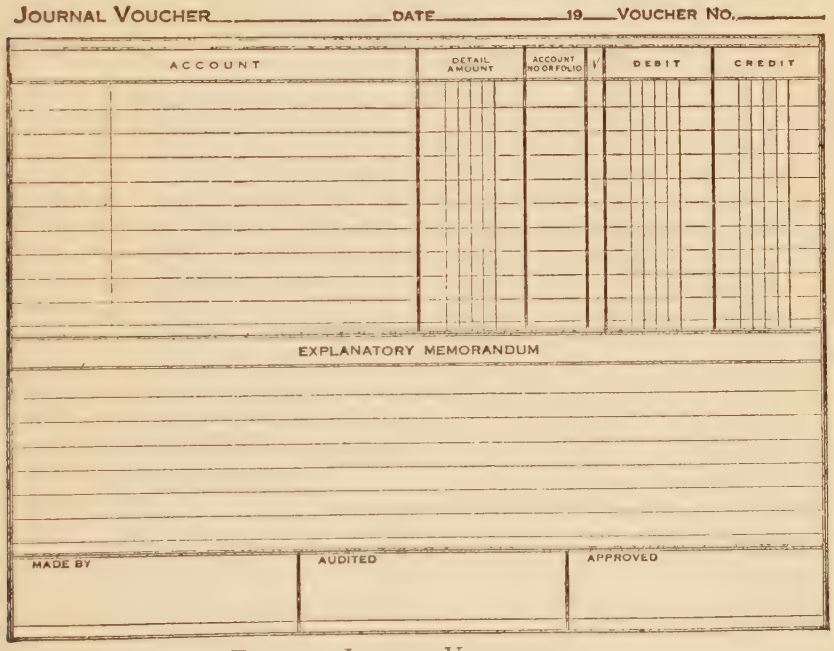
Cash Book. The Cash Book takes the place of a detailed cash account in the General Ledger and constitutes the book of original entry recording receipts and disbursements of all money.

An excellent form is shown in Figure 53. Ruling and column headings may be revised to meet the requirements of each particular firm, but the general outline as illustrated is usually followed for efficient cash accounting. It provides for debit and credit columns for entry to the Customers' Ledger, General Ledger, Expense Ledger, or similar subsidiary ledgers. Customers making settlement and deducting freight, cash discount, commissions or allowances as part payment, may be given credit for the total amount of such payment; debit being made in the columns provided at the left for such deductions. Columns for the cash drawer and banks are maintained to cover deposits and withdrawals during the period. Check books are footed at the end of the month and are posted to the credit column of the bank in the Cash Book. When business is done with more than one bank, a debit and credit column should be kept for each and the name of the bank placed

at the heading of the column in all cases. Footings of all columns in the Cash Book at the end of the month are carried to the "General Ledger" columns, from which they are posted to the appropriate accounts in the General Ledger. The Cash Book is then balanced and ruled for the month.

Journal Voucher. There are many good forms of Journal Vouchers, three of which will be discussed briefly.

Figure 54 illustrates the form known as De Luxe C-25, and is drawn up to meet the requirements of firms who desire to make separate sheets


JOURNAL VOUCHER _____ DATE _____ 19__ VOUCHER NO. _____

DE LUXE FORM C 25

ACCOUNT	DETAIL AMOUNT	ACCOUNT NO OR FOLIO	✓	DEBIT	CREDIT

EXPLANATORY MEMORANDUM

MADE BY	AUDITED	APPROVED

FIG. 54. JOURNAL VOUCHER

for each entry. It provides for account detail, number and distribution, with sufficient space for explanatory memorandum. Spaces are provided for signatures of drawer, auditor, and person of approval. After final O.K., the sheets are sent to the bookkeeping department where they are placed in a binder, given a number, and posted to the records.

Figure 55 shows the memorandum of journal entry used by the Wisconsin Land & Lumber Company. It allows for more than one entry to a page and also affords spaces for signatures of approval.

The Journal Voucher shown in Figure 56 presents all the require-

ments of a perfect voucher sheet, and may be advantageously used in any business. It provides for account name or description, detail, and number, with General Ledger columns and two subsidiary ledger columns. The feature of the sheet, as used by the Holt Lumber Company, is its novel reference and filing scheme. The sheet is given a number which agrees with a file number. The file consists of a Globe-Wernicke Legal Envelope, size 4¼″ x 11″, in which are placed all working papers supporting the entries on the journal page of corresponding number.

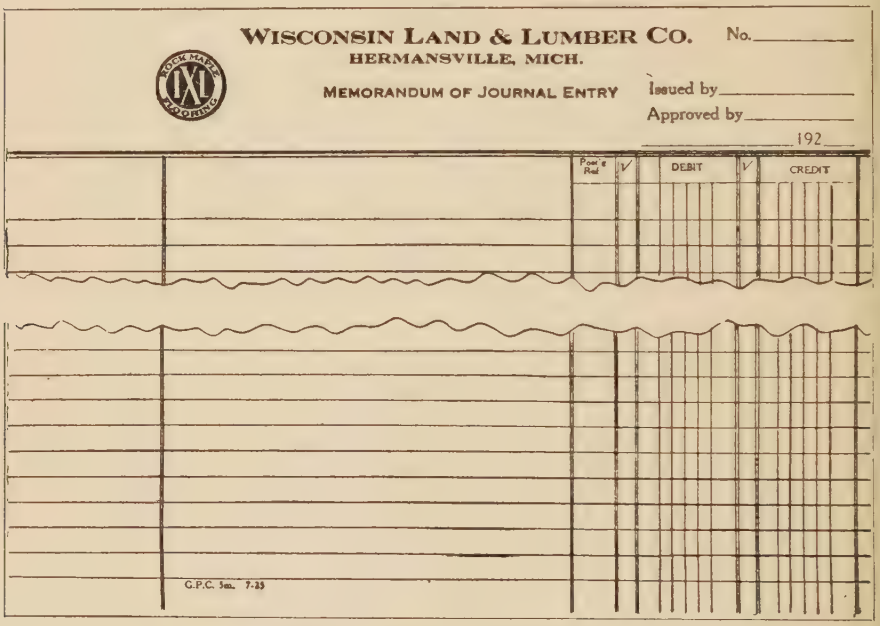

WISCONSIN LAND & LUMBER CO. No.
HERMANSVILLE, MICH.
MEMORANDUM OF JOURNAL ENTRY
Issued by
Approved by
192
Page Ref.
DEBIT
CREDIT
G.P.C. 5m. 7-25

Fig. 55. Journal Voucher

Uniformity is further accomplished by the use of month numbers. For example, the first page in the journal and corresponding number of the first envelope file, for the month of January, 1928, is 101/1928. The second, 102/1928, the fifteenth, 115/1928. Or for November, 1928, the first page and envelope numbers are 1101/1928, and for the fifteenth 1115/1928, and so on. For the fifteenth page and envelope of November, had the year been 1925, the number would read 1115/1925.

Accounts Payable Voucher. For those firms desiring an Accounts Payable Voucher, Figure 57, known as Horder's 2650, will meet most requirements. Distributions of the expenses are made on the reverse side to the appropriate accounts. After being audited and

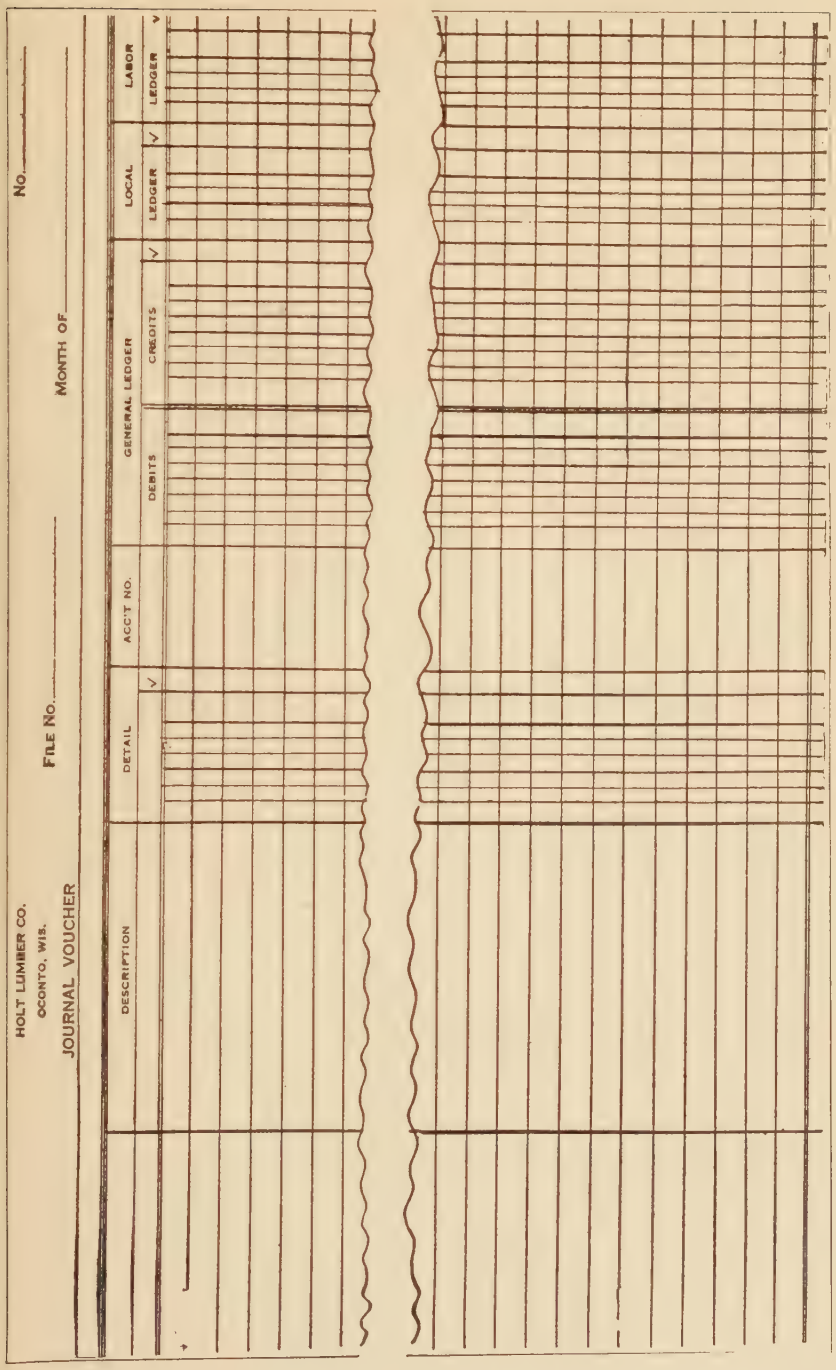


FIG. 56. JOURNAL VOUCHER

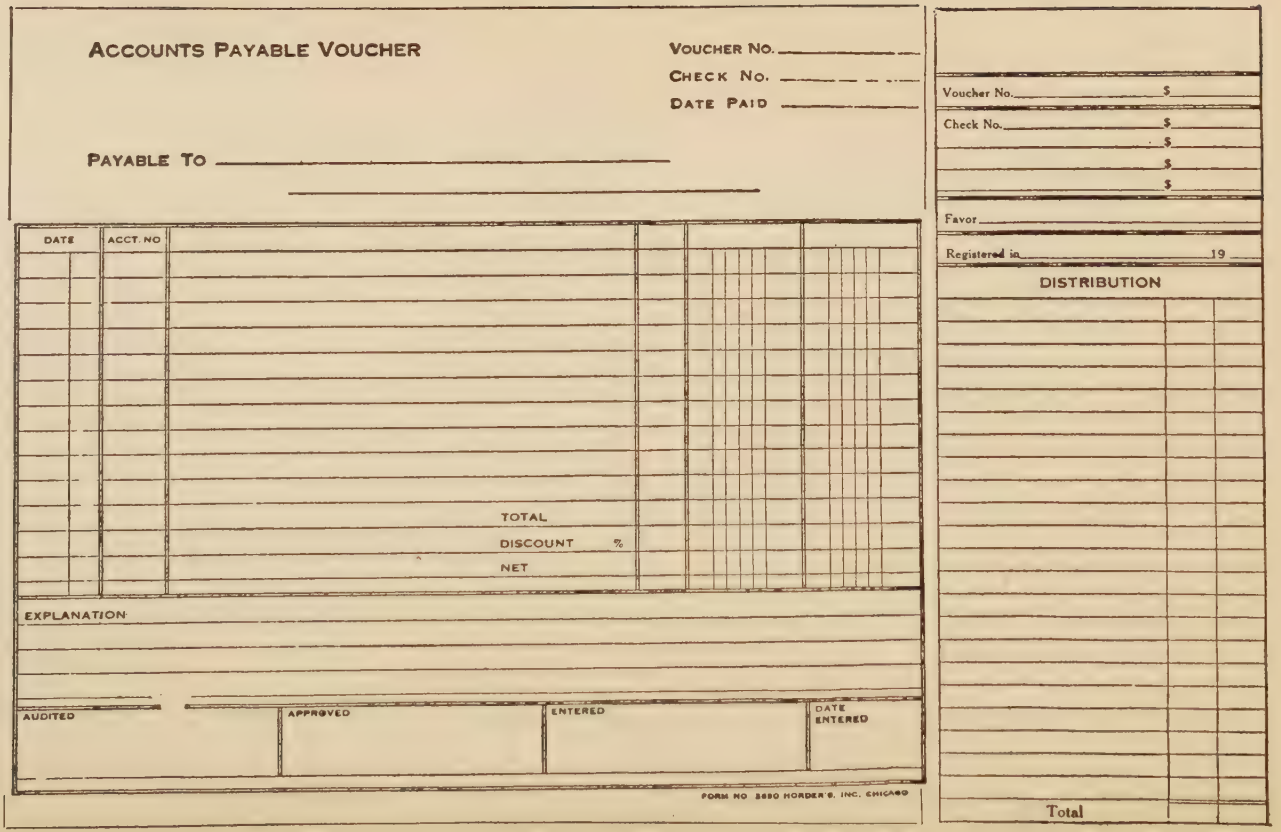


FIG. 57. ACCOUNTS PAYABLE VOUCHER (*Open and folded*)

approved, the details are entered in the Accounts Payable Voucher Register, the footings of which are posted to the proper accounts at the end of the accounting period. Postings to subsidiary expense ledgers and the like may be made from the voucher, and thus demand a less cumbersome voucher register.

All papers are securely attached to, and filed with, the vouchers, which in turn are numbered consecutively. Thus, an efficient and permanent record is maintained of an entire transaction.

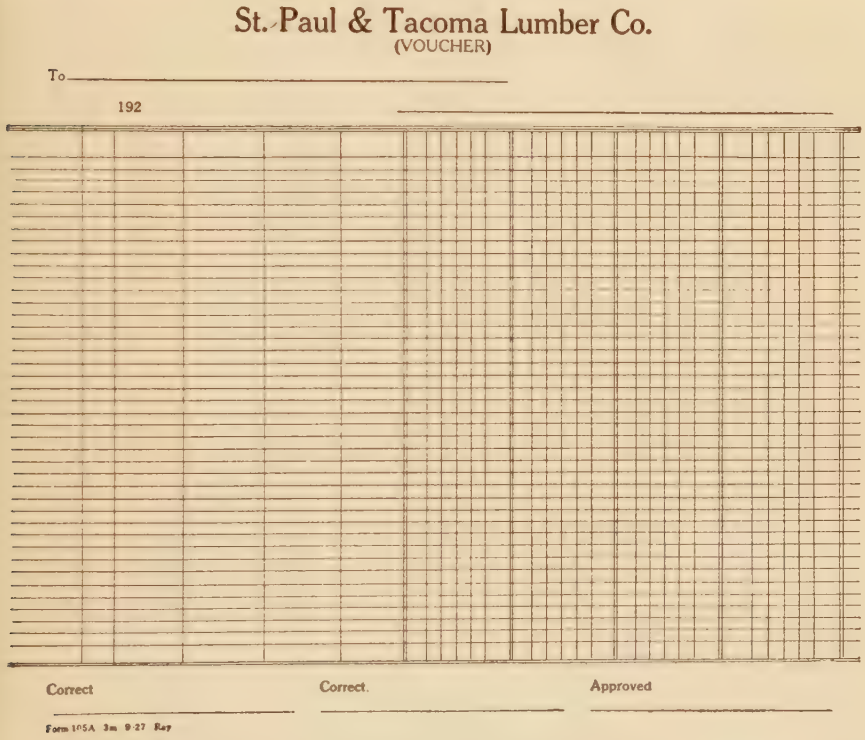


FIG. 58. ACCOUNTS PAYABLE VOUCHER

The Accounts Payable Voucher used by the Saint Paul & Tacoma Lumber Company, is shown in Figure 58 and is a good form.

Accounts Payable Voucher Register. Figures 59 and 60 illustrate a well-arranged Accounts Payable Voucher Register.

Column headings appearing under "Classification" are footed at the end of the accounting period and posted to the control accounts in the General Ledger. Miscellaneous charges are handled through the column provided for that purpose. Postings to the Expense Ledgers can be made directly from the distributions on the Accounts Payable Vouchers.

Voucher Check and Check Voucher. The check and check voucher shown in Figure 61 is a novel arrangement and can be used by firms who do not wish to use the ordinary accounts payable voucher and an elaborate voucher register.

ACCOUNTS PAYABLE VOUCHER REGISTER

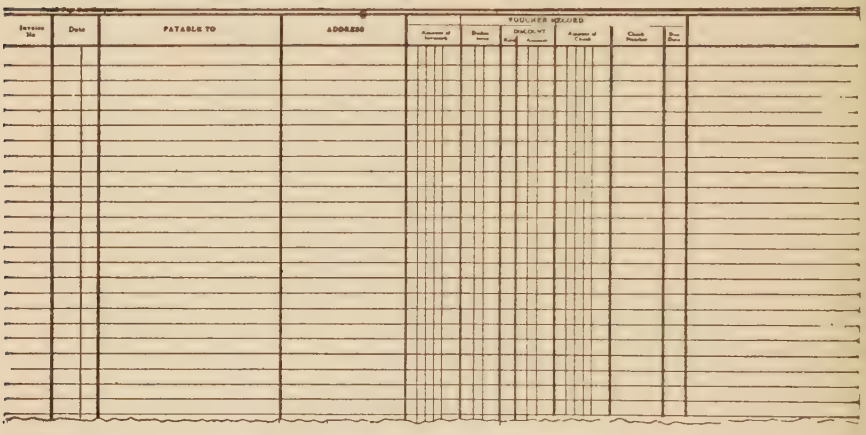


FIG. 59. ACCOUNTS PAYABLE VOUCHER REGISTER (*Left hand sheet*)

The original check with its attached remittance slip is sent to the payee. The lower portion of the original sheet constitutes a Check

CLASSIFICATION

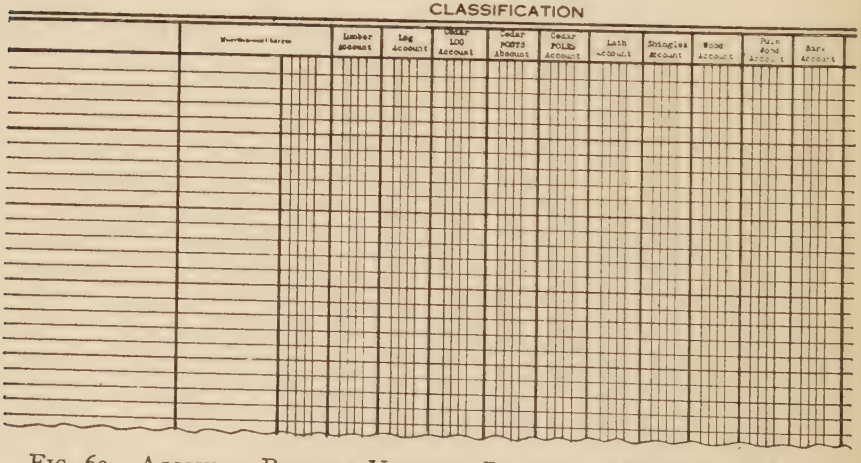


FIG. 60. ACCOUNTS PAYABLE VOUCHER REGISTER (*Right hand sheet*)

Voucher, on which distributions of items are made. The Check Voucher is removed from the Voucher Check after the latter has been signed (and the signer has thus approved of the distribution of the amount) and placed in a binder, from which postings are made to the

KNOXVILLE LUMBER COMPANY

Knoxville, Montana. .....19..... No. 1362

CITIZENS NATIONAL BANK, Knoxville, Montana. (77-63) Pay $.....

.....DOLLARS

To the order of:

.....) KNOXVILLE LUMBER COMPANY

Address.....) By .....
Pres.

.....) By .....
Treas.

(Please detach remittance statement before presenting check)

KNOXVILLE LUMBER COMPANY REMITTANCE STATEMENT No. 1362

CHECK VOUCHER DATE.....19.... No. 1362

Account	Credit Discount	Expense Ledger	✓	Customer Ledger	✓	General Ledger	✓

FIG. 61. VOUCHER CHECK AND CHECK VOUCHER

J. E. Paterson Lumber Co. **No.**

Yellow Pine Lumber

632-635 City Bank Building Mobile, Ala. .....192...

Payee.....$.....

	A/C Rec.	G. L.	Exp.	Lbr.	Int.	A/C Pay.	Disc't

FIG. 62. VOUCHER CHECK (*face*)

PAY TO THE ORDER OF THE ABOVE NAMED PAYEE

To The First National Bank,
Mobile, Ala.
61-26

J. E. Paterson Lumber Company,

By.....

FIG. 63. VOUCHER CHECK (*reverse*)

The lower illustration shows the reverse side of the bottom portion of the upper form—the latter being folded horizontally so that the phrase "Pay to the Order of the Above Named Payee" comes directly under the line Payee.....$....., on the face.

appropriate records. Cash discounts are entered in the first column, the footing of which is credited to Discounts Received at the end of the month. The check book is footed monthly, and the amount of issued checks carried to the credit column of the proper bank in the Cash Book.

Payee's name and address are grouped so as to permit the use of window envelopes. The reverse side of the check should hold the words, "The endorsement of this check by payee is an acceptance of it in full settlement of the account as stated on the attached remittance statement bearing corresponding number." The words, "Please detach remittance statement before presenting check," should always be placed on the check, and *not* on the remittance statement. The reasons are obvious.

Voucher Check. The Voucher Check should be standardized in all lines of American business, at least to a higher degree than now prevails. A good form is shown on the upper portion of the illustration given in Figure 61 and the same rules applying to acceptance by endorsement of that check would apply to any form of check with a remittance statement necessitating removal before presentation.

The Voucher Check shown in Figures 62 and 63 is known as May's Simplex, and is used by the J. E. Paterson Lumber Company, which has found this form to be very complete. All of the information contained on the voucher is so placed that the bank endorsements are not obliterated.

Log Scale Ticket. Figure 64 illustrates this form. It is used by the scaler, as he scales the logs being loaded out at the various log landings. The columns are headed for species, and the marginal figures facilitate giving the number of logs scaled.

These tickets are summarized at the end of the day on the Daily Log Scale Report, the original of which is sent to the general office, where it is summarized in the Camps Production Record. Some firms may prefer to omit the Daily Log Scale Report, and send only the Log Scale Tickets to the office, which method provides the advantage of checking the scaler's figures for additions.

Daily Log Scale Report. Figure 65 presents an excellent form for those concerns who have many different species of timber. Separate columns provide for the scale of the different species, showing quantity of each loaded on each car.

The width of this report sheet depends upon the number of species handled by the particular firm, and the length of the sheet should be

governed by the number of cars usually loaded out in any one day. This report is made out by the scaler at the camp from information shown on the Log Scale Tickets.

Cedar Post Tally Sheet. In Figure 66 is shown a tally sheet which may be used to tally shipments of cedar posts from the logging camps. A similar sheet may be used to tally shipments of cedar poles.

SEVER ANDERSON LOGGING CO.

Shipped to_____

At_____ Date_____ No 4704

Car Initial_____ Car Number_____

	PINE	HEM.	SPRUCE	BASS	MAPLE	MAPLE	BIRCH	ELM			
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											
15											
16											
17											
18											
19											
20											
21											
22											
23											
24											
Total											

Scaler_____

FIG. 64. LOG SCALE TICKET

Column headings are left blank in order to meet the requirements of each particular shipment.

This report should be made out in duplicate. The original is sent to the general office, the copy remaining at the camp for future reference.

Daily Pulp Wood Scale Report. As cars are loaded at the camp with pulp wood and shipped out, they should be scaled on an appropriate

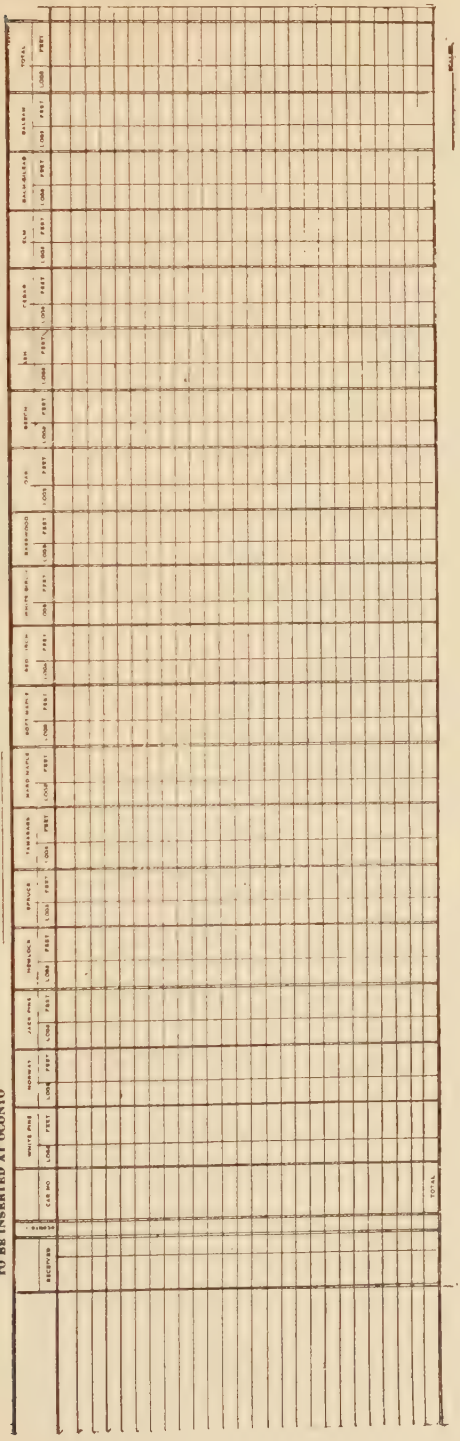


FIG. 65. DAILY LOG SCALE REPORT

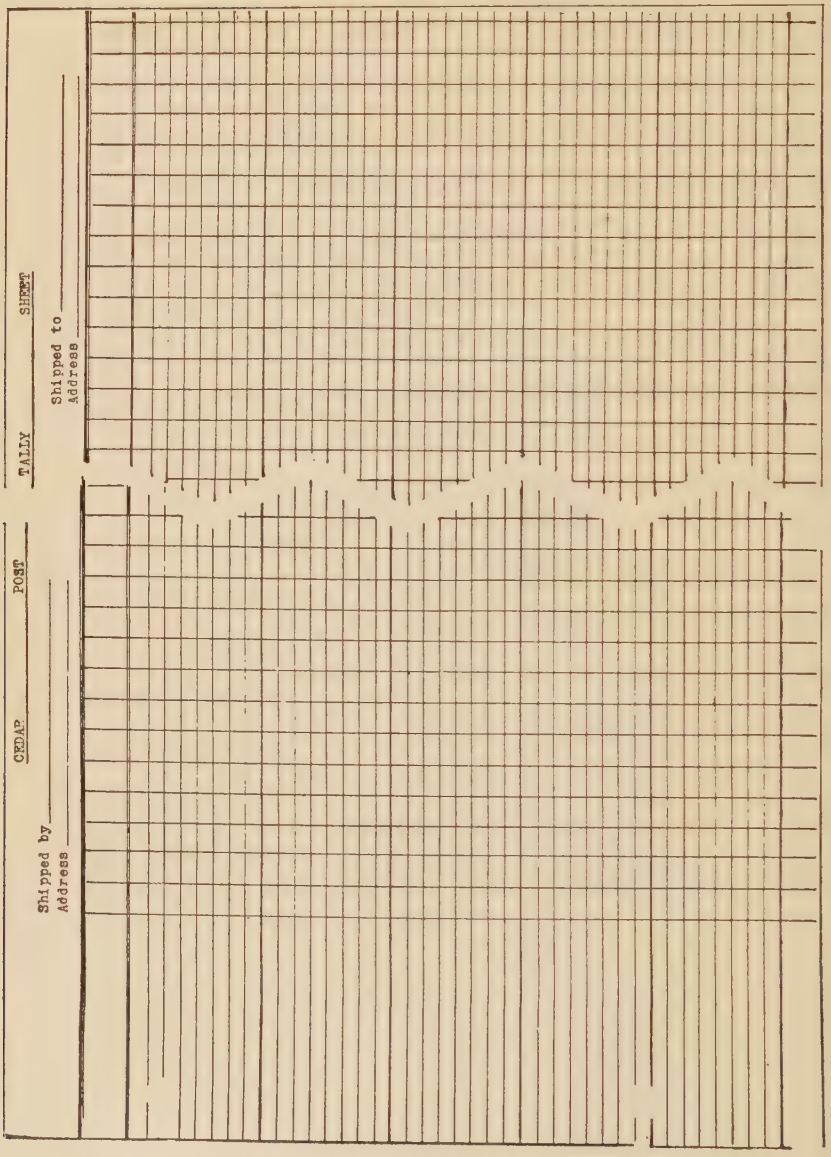


FIG. 66. CEDAR POST TALLY SHEET

form and the information sent to the general office for invoicing and entry in the Land & Timber Record and Camps Production Record. Figure 67 illustrates a form for this purpose, and should serve as the

DAILY PULP WOOD SCALE REPORT

Camp Number_____ Date_____
Cut from, Sec._____ Town_____ Range_____

Car Initials	Number

Has been shipped

TO _____

Tiers	Height	Width	Length	Cubic Feet

Total number of cubic feet _____
Total number of cords _____
Dockage, if any, and why _____

No._____ _____ Scaler

FIG. 67. DAILY PULP WOOD SCALE REPORT

original scale ticket as well. This report should be prepared in duplicate, the original going to the general office and the copy remaining at the camp.

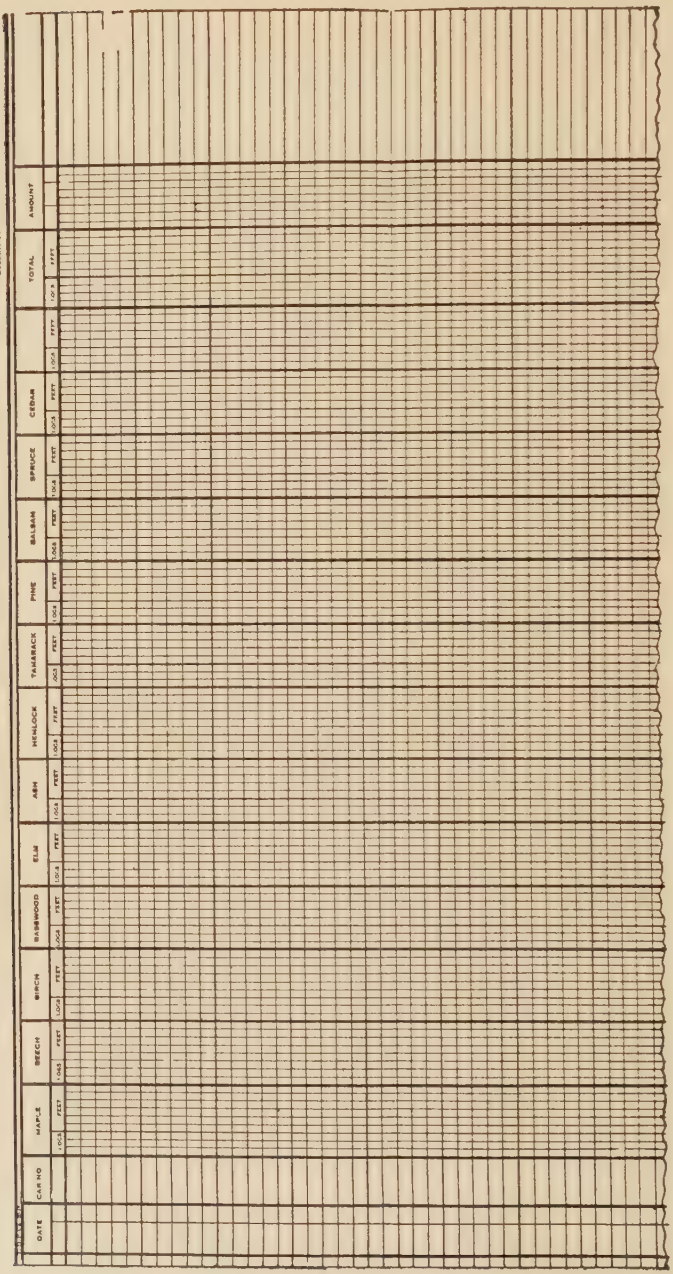


FIG. 68. CAMPS PRODUCTION RECORD (*Front of long left-hand sheet*)

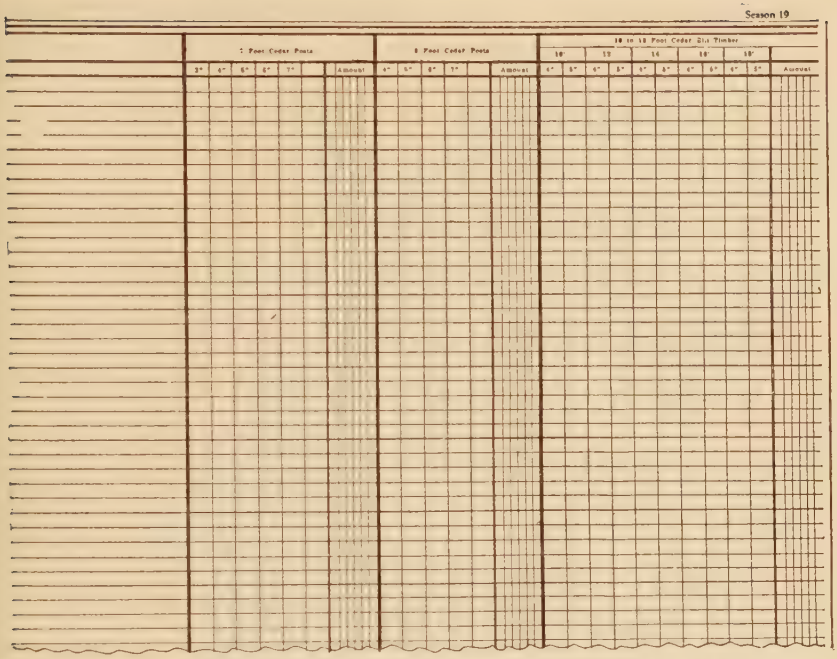


FIG. 69. CAMPS PRODUCTION RECORD (*Front of short sheet*)

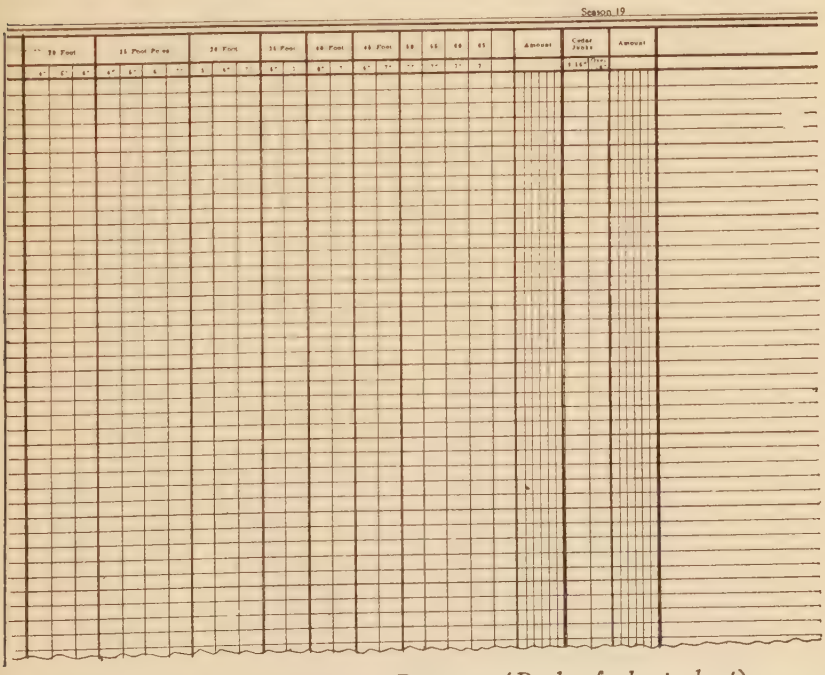


FIG. 70. CAMPS PRODUCTION RECORD (*Back of short sheet*)

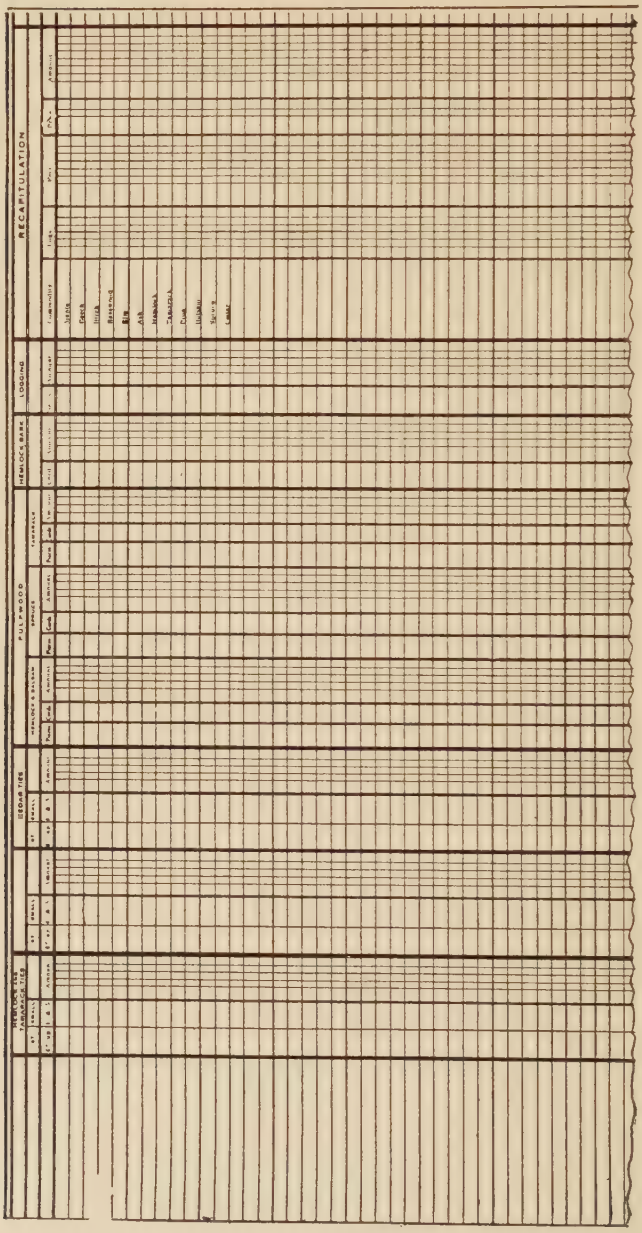


FIG. 71. CAMPS PRODUCTION RECORD (*Front of long right-hand sheet*)

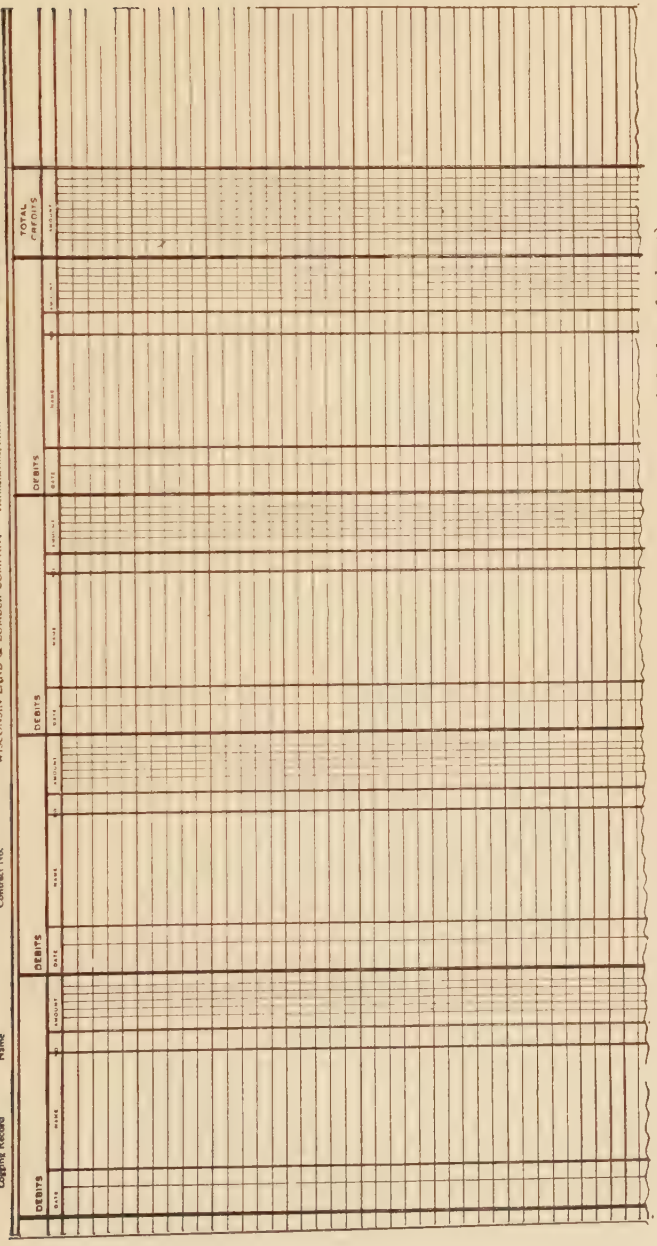


FIG. 72. CAMPS PRODUCTION RECORD (*Back of long right-hand sheet*)

A similar form may be used to cover shipments of bark.

Camps Production Record. As the daily scale and report sheets covering shipments of forest products from the logging camps are received at the general office, they should be entered in a record known as the Camps Production Record.

An excellent arrangement for this purpose, complete in every detail, is shown in Figures 68, 69, 70, 71 and 72. The date and car number are given; each specie, number, kind, and size of forest product is kept separate, columns being arranged to cover logs, cedar logs, posts, poles, pulp wood, bark, ties, and sundry items. The production figures shown by this record form the basis for depletion charges, as well as being used in cost statements. A separate set of these sheets should be kept for each logging camp or jobber's contract.

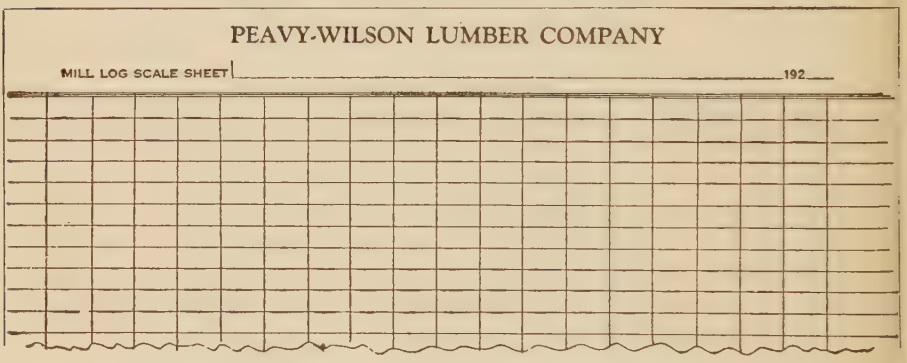


Fig. 73. Mill Log Scale Sheet

"Amount" columns are used to show separately credit due jobbers on each kind of product. The reverse side of one of the sheets is used to cover all debits to the jobber, thus forming a complete account relative to any one contract. When the sheets are used to summarize the production of the company's own camps, the "Amount" columns and charge side of the sheet are of course not used.

Specie headings, etc., should be arranged to meet the requirements of individual firms.

Mill Log Scale Sheet. It is often desired to scale the logs as they come into the mills on the "bull chain." When this is done, a simple sheet, arranged as shown in Figure 73, usually meets requirements. The form as shown is used exclusively by the Peavy-Wilson Lumber Company.

Inasmuch as daily cuttings vary in regard to species, it is advisable

to leave column headings blank, to be filled in by the mill scaler as the different kinds of logs come to him.

This record forms the basis for allocation of raw material log cost to different departments, as, for example, to Shingles, Cedar Lumber, Cedar Ties, and the like.

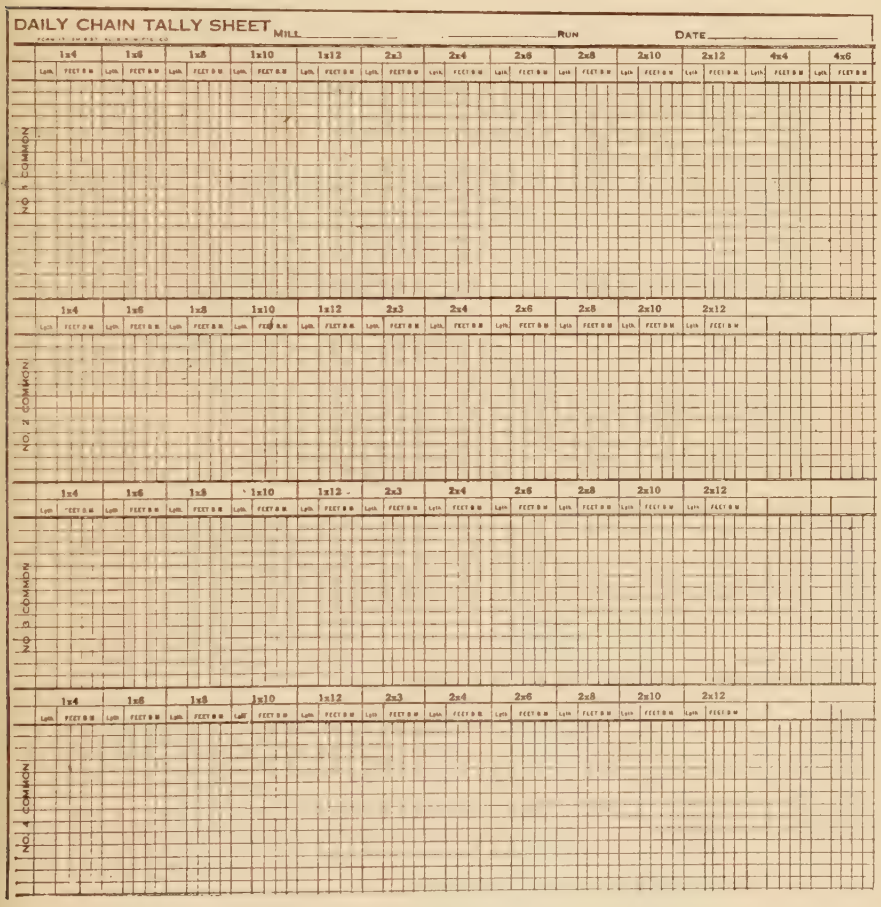


FIG. 74. DAILY CHAIN TALLY SHEET

Daily Chain Tally Sheet. As the lumber is tallied at the sorter chain, or transfer, at the saw mill, it should be recorded on this sheet, which then constitutes one of the most important daily reports of the firm. A suitable form is shown in Figure 74 and may be arranged to cover various kinds of lumber manufactured.

These sheets are sent to the general office at the end of the shift,

where they are summarized in a record that will provide weekly, monthly, and yearly production totals. From the Daily Chain Tally Sheet items are usually posted to the Perpetual Lumber Inventory record.

Perpetual Lumber Inventory

COPELAND-NELSON BOX & LUMBER COMPANY

Kind..... Grade..... Pile Mark.....
Width..... Length..... Rough or Surfaced.....

Date	Ref.	Pile	Pcs.	Feet	Date	Ref.	Pile	Pcs.	Feet

FIG. 75. PERPETUAL LUMBER INVENTORY

LUMBER STOCK SHEET

Peavy-Wilson Lumber Company

PEASON, LA. _____ 192__

	4	6	8	10	12	14	16	18	20	22	24	26	

FIG. 76. LUMBER STOCK SHEET

Perpetual Lumber Inventory. For those firms desiring a perpetual lumber inventory record, Figure 75 provides an appropriate sheet; it resembles an ordinary ledger sheet, with debit and credit sides for additions and removals of lumber from the yard and piles.

Additions are usually made from the Daily Chain Tally Sheets, and credits posted from the Order, or Sales Journal. A separate Perpetual Lumber Inventory Sheet should of course be kept for each size and kind of stock.

Form 426 1m 3-28 Ray

LATH MILL REPORT

Mill..... Shift..... Date.....19.....

	Pack	Rate	Fir	Hemlock	Cedar	Spruce
⅓ x 1½ x 48 No. 1						
" " " No. 2						
⅓ x 1⅝ x 48 No. 1						
" " " No. 2						
½ x 1½ x 48 No. 1						
" " " No. 2						
Broom Handles (Bdls.) (List Dimensions)						

Total Cut..... Hours Run.....

Shingle Shed Foreman's O. K. .....
Signature

Remarks:.....

.....

.....

SEND REPORT DAILY TO TIMEKEEPER

FIG. 77. DAILY LATH REPORT SHEET

Lumber Stock Sheet. There are many forms of Lumber Stock Sheets. One of the most widely used is shown in Figure 76.

Daily Lath Report Sheet. A daily report of lath cut in each lath mill should be prepared by the foreman or lath tallyman and sent to the general office, where the information is summarized for periodic totals.

PEAVY-WILSON LUMBER COMPANY

DAILY PLANER REPORT SHEET

Peason, La. 192

Machine No.	Time Lost Minutes				
Mill Down					
Machine Down					
Changing Machine					
Broken Belts, Side Head					
Broken Belts, Cylinder					
Broken Belts, Feed					
Jointing Side Head					
Jointing Cylinder					
Rolling in Loads					
Rolling Out Loads					
Waiting for Stock					
Waiting for Buggies					
Lumber Lapped in Machine					
Lumber Broken in Machine					
Hot Boxes					
Grader Blocked					
Trimmer Man Blocked					
Total Time Lost					
Lineal Feet Run					

REMARKS

Grader

FIG. 78. DAILY PLANER REPORT SHEET

Figure 77 illustrates such a form, which has been arranged to show each size and kind of lath separately. Production figures from this sheet are posted to the left-hand side of the perpetual lath inventory record.

A daily report covering wood cut by the mills may be drawn up similar to the Daily Lath Report Sheet.

Daily Planer Report Sheet. A detailed record should be maintained covering the production of the various machines at the Planing

Form 264½ Sm 12-26 Rep
PLANING MILL

DAILY PRODUCTION REPORT Machine No.....

St. Paul & Tacoma Lumber Co. Date.....192.....

Form 264X

SIZE	DESCRIPTION	METER	LIN. FT.	SIZE	DESCRIPTION	METER	LIN. FT.

Daily Shingle Mill Report Sheet. Figure 80 illustrates a very good form for this purpose, and with slight revision should meet the requirements of most mills. Sawyer, machine number, and quantities of different kinds of shingles are given together with date and hours run.

These sheets are also sent to the general office, where the data is posted to a summary record providing periodic production figures.

Order-Acknowledgment-Order Card. As soon as an order is received from a customer, it is checked against prior price quotations or stock lists for approval of terms and sales price. Triplicate copies

DAILY SHINGLE MILL REPORT SHEET

No._____

Date_____ 19_____

Form 424 500 3-28 Ray

SAWYER	MACH.	5/2 Perfects	5/2 Ex. Clrs.	5/2 Tac. Clrs.	5/2 Ex. "A"	6/2 Ex. "A"	6/2 Tac. "			TOTAL
	No. 1									
	No. 2									
	No. 3									
	No. 4									
	No. 5									
	No. 6									
	No. 7									
	No. 8									
TOTALS										

Remarks: _____

Hours Run

FIG. 80. DAILY SHINGLE MILL REPORT SHEET

of the order are then made, on the forms shown in Figures 81, 82, and 83. The original is filed in the general office, the duplicate constitutes an Acknowledgment which is sent the customer, and the triplicate consists of an Order Card which is sent to the shipping clerk for authority and information in filling the order. The three copies are written in one operation, thus saving time, eliminating possible errors in rewriting, and forming an efficiently arranged Order-Acknowledgment-Order Card system.

Tally Card. Figure 84 presents a form for this purpose. As soon as the shipping clerk receives the Order Card from the general

office, he enters the necessary data on the Tally Card. This information usually consists of the same data as appears on the Order Card, with the exception of the customer's name.

This card is then given to the tallyman who proceeds to fill the order, recording the scale of each piece on the Piece Tally Sheet. When the totals on the Piece Tally Sheet equal the totals appearing on the Tally Card, the shipment is completely filled.

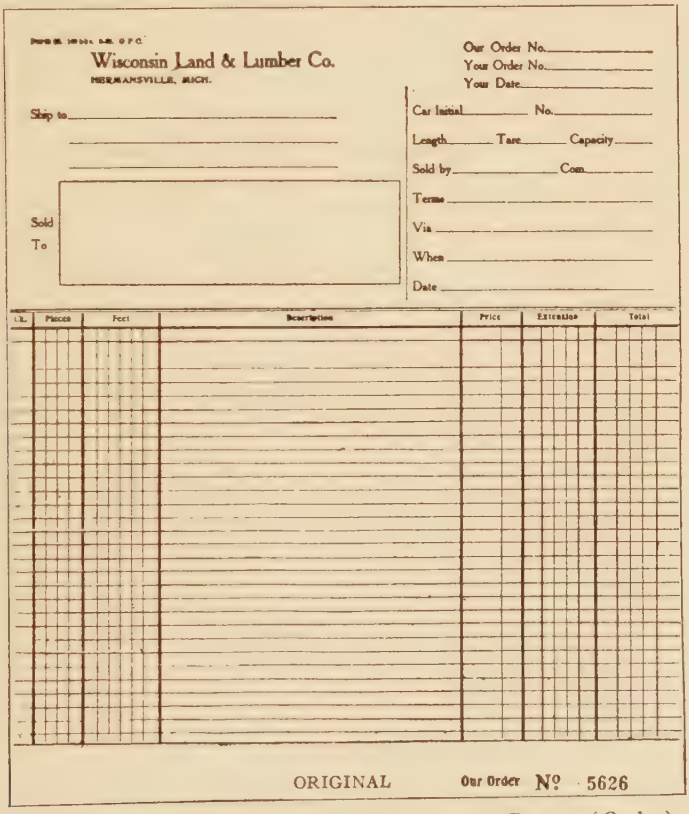


FIG. 81. ORDER-ACKNOWLEDGMENT-ORDER CARD (*Order*)

Piece Tally Sheet. Details of the lumber tally by pieces and kinds are made up on the Piece Tally Sheet as the order is being filled, this sheet constituting the supporting record and showing the scale of the items which filled the order.

Figure 85 presents this form and should be uniformly adopted.

Sales Journal. The Sales Journal, or Sales Analysis Record as it is often termed, constitutes one of the most important records in the accounting system of the lumber industry.

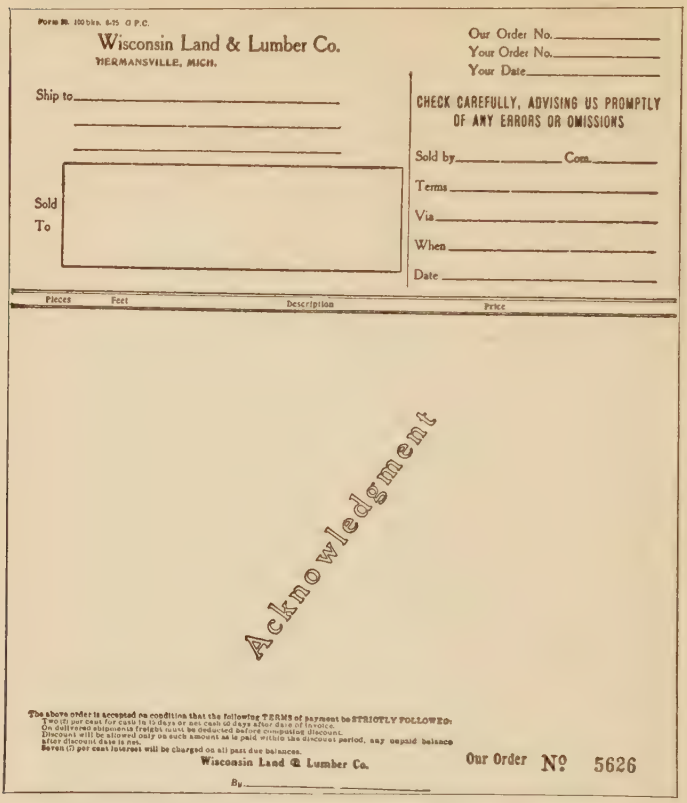

Wisconsin Land & Lumber Co.
HERMANSVILLE, MICH.
Our Order No.
Your Order No.
Your Date
Ship to
CHECK CAREFULLY, ADVISING US PROMPTLY OF ANY ERRORS OR OMISSIONS
Sold by
Com.
Terms
Via
When
Date
Sold To
Pieces
Feet
Description
Price
Acknowledgment
The above order is accepted on condition that the following TERMS of payment be STRICTLY FOLLOWED:
Two (2) per cent for cash in 10 days or net cash 60 days after date of invoice.
On deferred shipments freight must be deducted before computing discount.
Discount will be allowed only on such amount as is paid within the discount period, any unpaid balance after discount date is net.
Seven (7) per cent interest will be charged on all past due balances.
Wisconsin Land & Lumber Co.
By
Our Order No 5626

FIG. 82. ORDER-ACKNOWLEDGMENT-ORDER CARD (*Acknowledgment*)

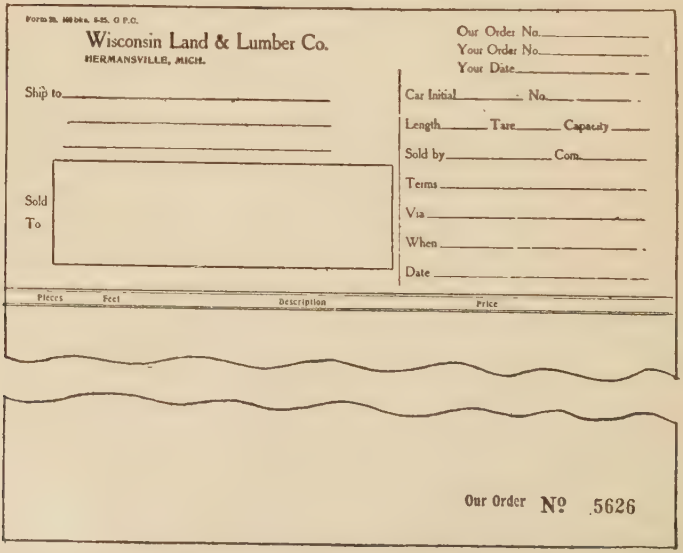


FIG. 83. ORDER-ACKNOWLEDGMENT-ORDER CARD (*Order Card*)

Figures 86, 87, 88, 89, 90, 91, 92, and 93 show excellent forms for this purpose; they have been arranged to cover in detail many different kinds and species of products. As the Simplified Invoices are prepared, they are entered in this record as a charge to the purchaser, credit

TALLY CARD

Order Number..... Order Date.....

Car Initials..... Car Number.....

Date Car Set..... Date Car Out.....

Weight – Gross..... Tare..... Net.....

Car out via..... Destination.....

Pcs.	Lgth.	Wdth.	Description	Feet

.....
Tallyman

FIG. 84. TALLY CARD

being made to one or more divisions of sales by the segregation of money, pieces, feet, cords, and the like, posted to the appropriate distribution of sales.

This form is complete and is arranged in such a manner as to permit

revision to meet the requirements of each particular firm. If freight columns are desired, they should be arranged in the blank columns provided on the left-hand sheet, or on a short sheet ruled to meet the specific requirements pertaining to method of delivery and the like.

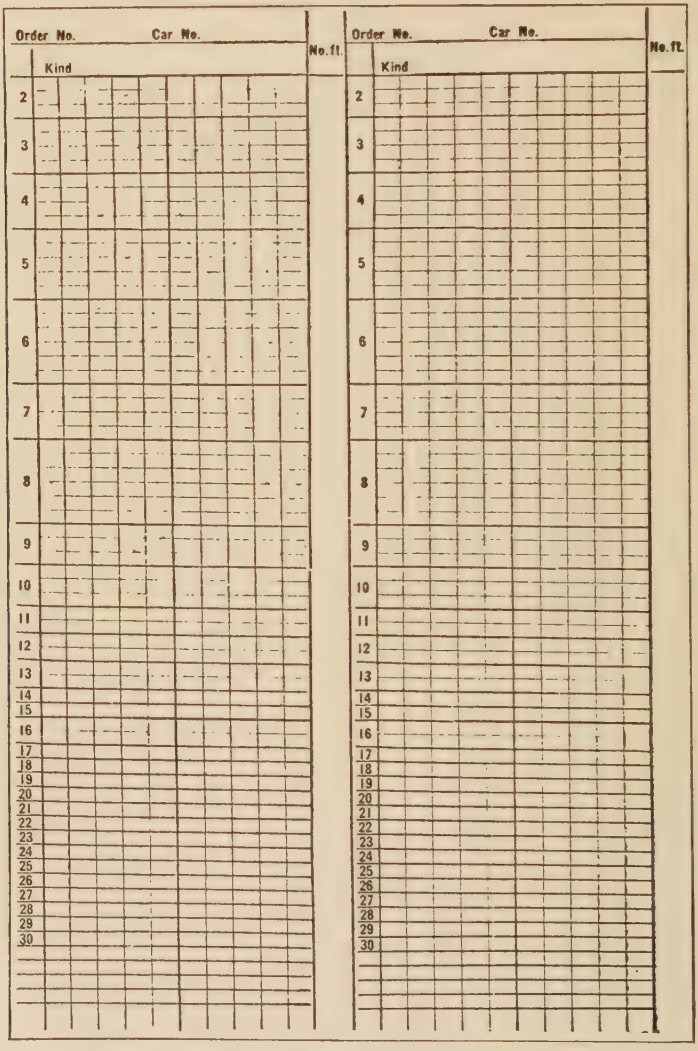


Fig. 85. Piece Tally Card

Time Sheet. Figure 94 shows a good form of Time Sheet. These are turned in by the foreman to the timekeeper at the end of the pay period; he in turn summarizes the men's names in alphabetical order on the Payroll. The men are paid by Payroll Check or Time Order.

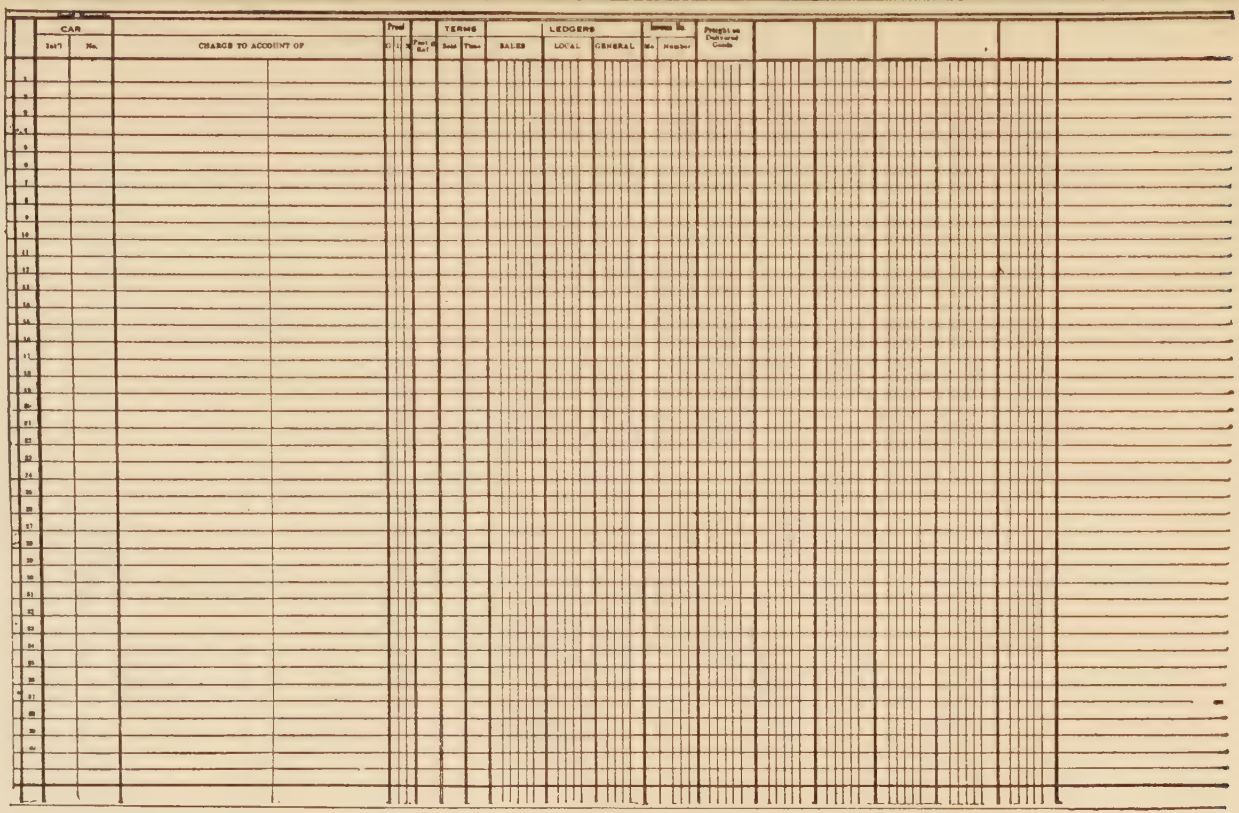


FIG. 86. SALES JOURNAL (*Front of long sheet—left hand*)

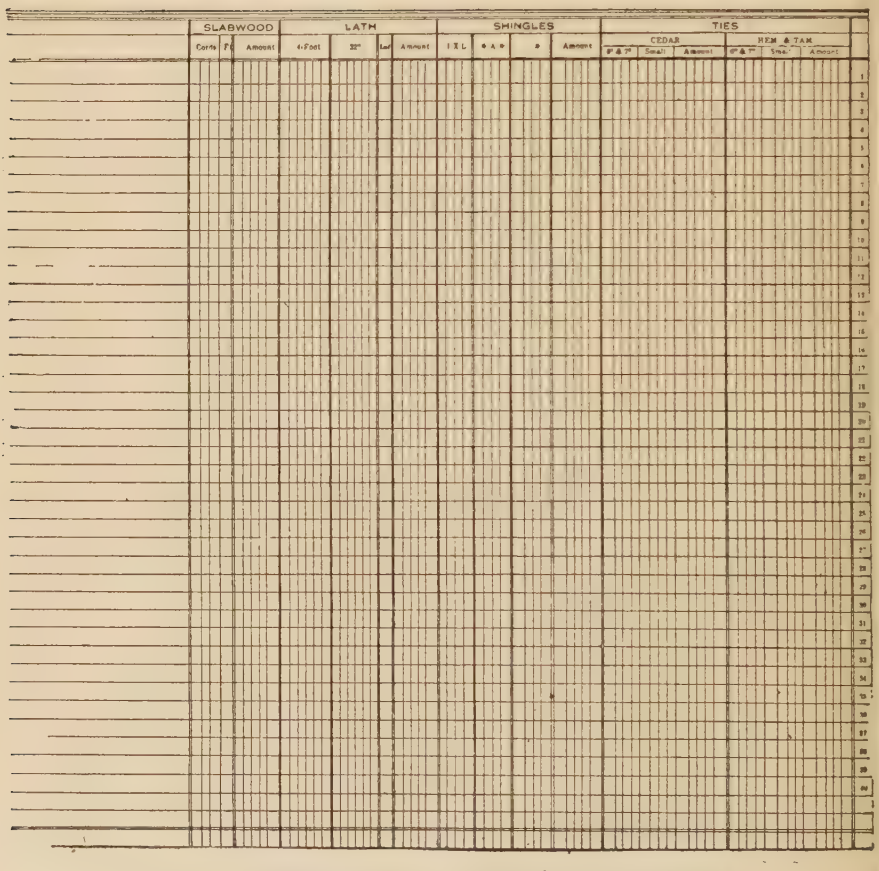


FIG. 87. SALES JOURNAL (*Front of first short sheet*)

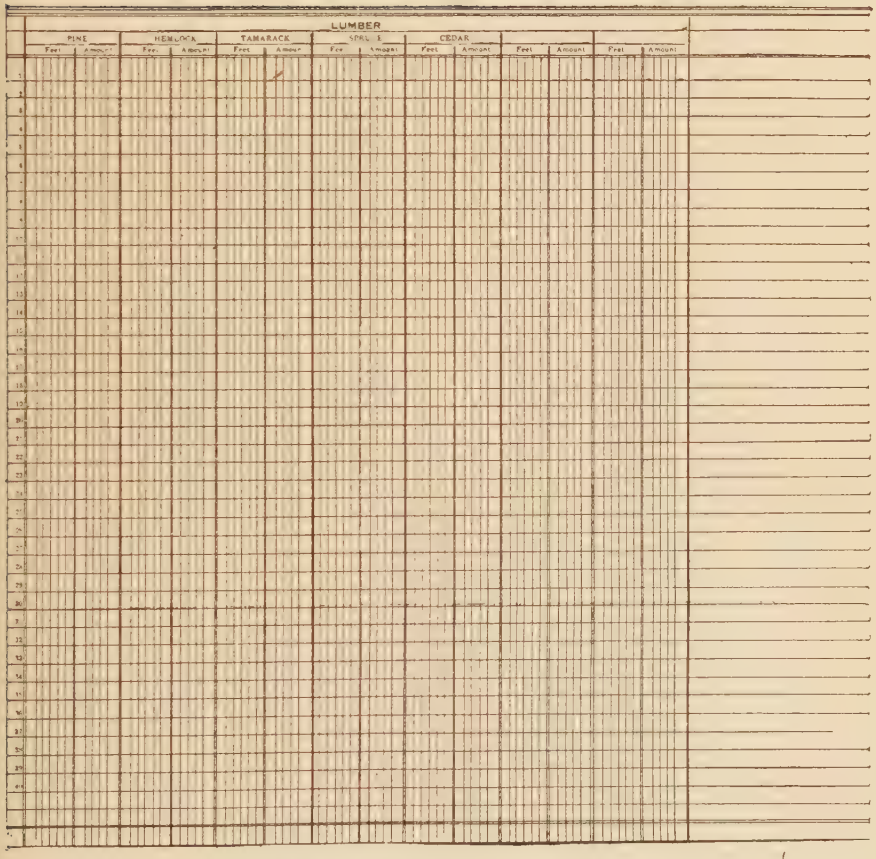


FIG. 88. SALES JOURNAL (*Back of first short sheet*)

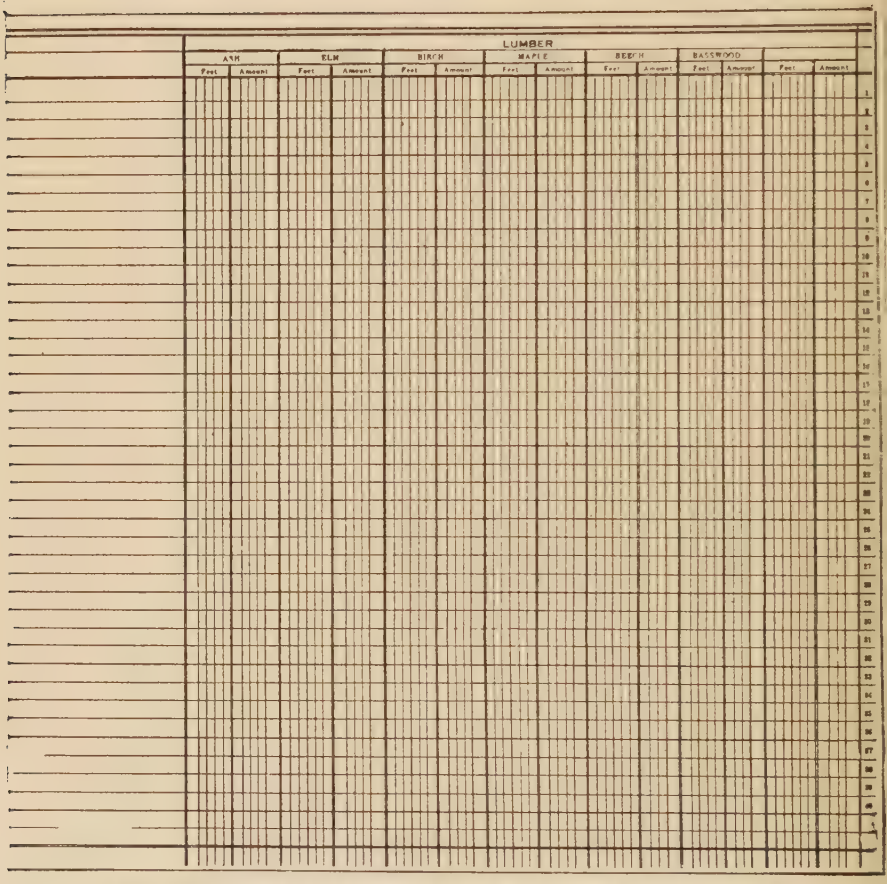


FIG. 89. SALES JOURNAL (*Front of second short sheet*)

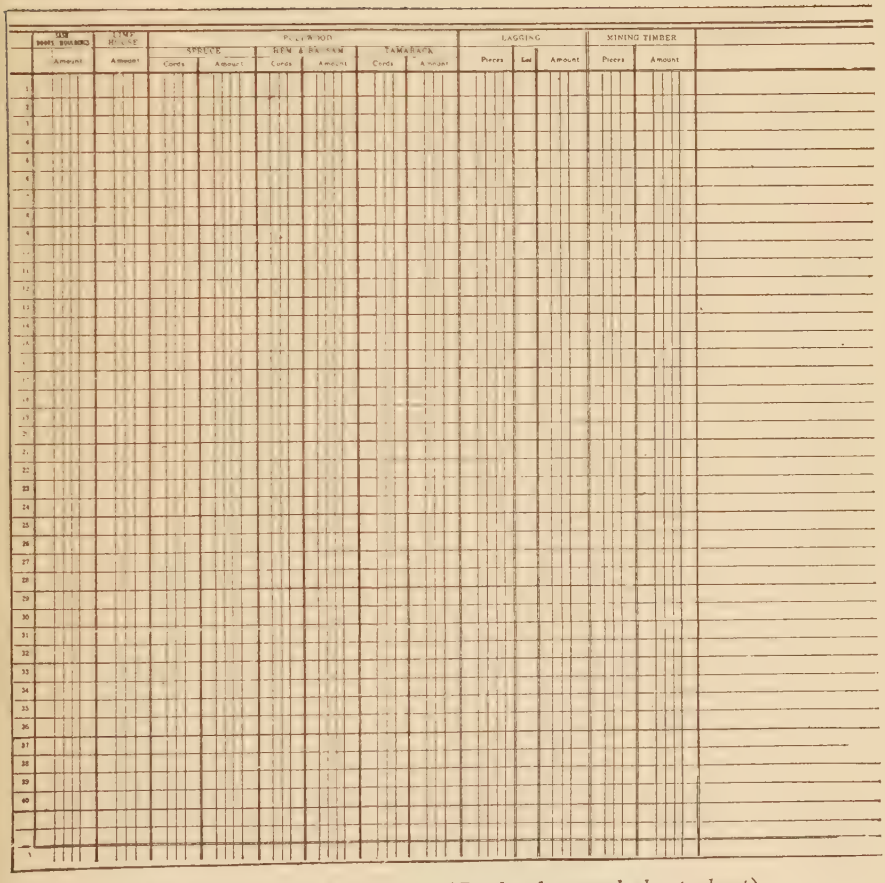


FIG. 90. SALES JOURNAL (*Back of second short sheet*)

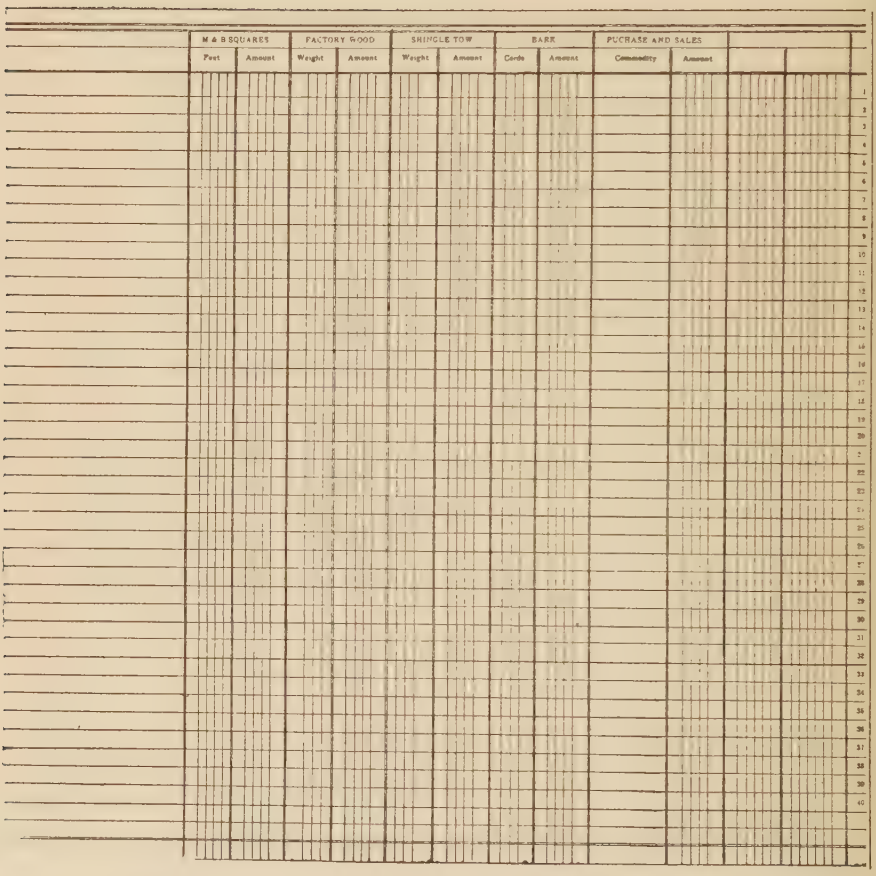


FIG. 91. SALES JOURNAL (*Front of third short sheet*)

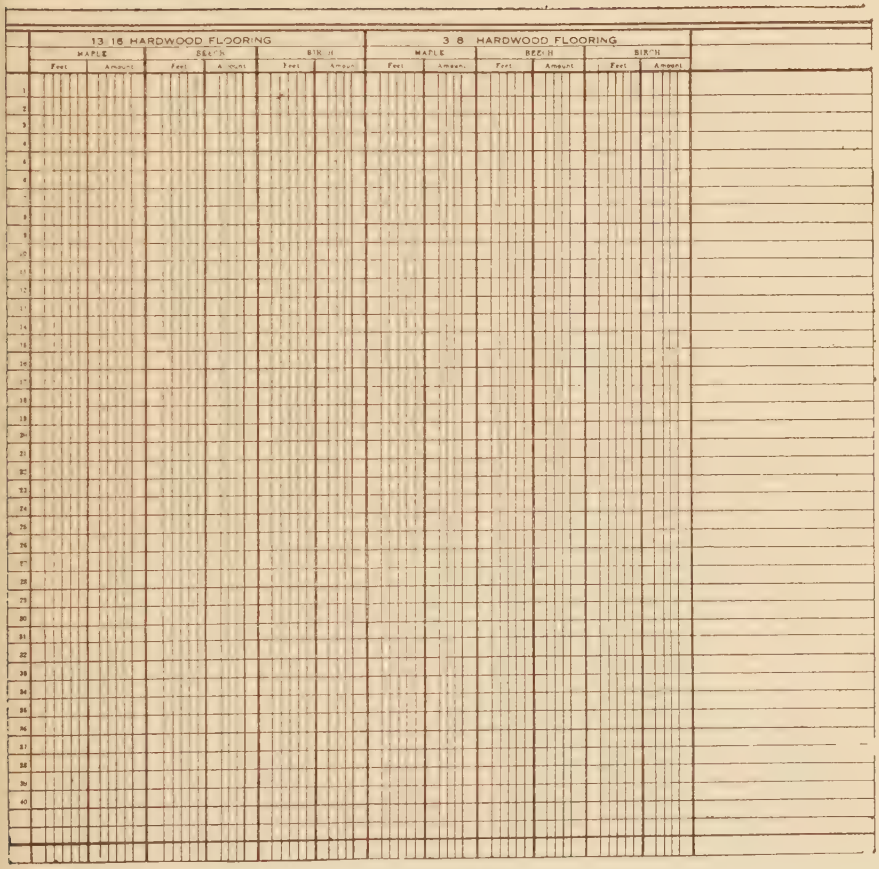


FIG. 92. SALES JOURNAL (*Back of third short sheet*)

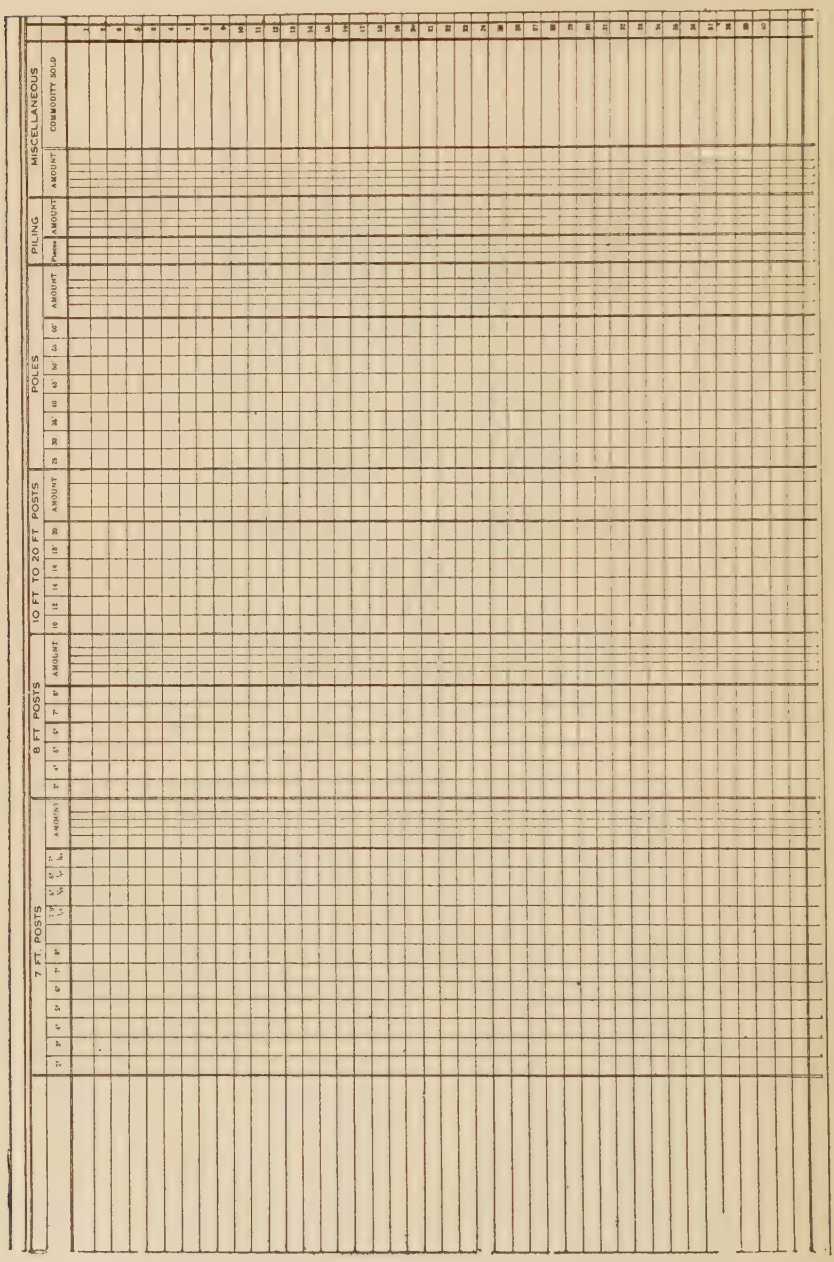


FIG. 93. SALES JOURNAL (*Back of long sheet—right hand*)

The labor is then classified and entered on the Classification of Labor Sheet.

Classifications appearing on the time sheet in the "Occupation" column should be arranged to conform to the Expense Ledger accounts of the particular firm.

Payroll. The Payroll is made out by the timekeeper from information furnished him by other departments. Figure 95 shows a form widely used by all branches of business.

The men's names are summarized and entered on the Payroll in alphabetical order from the Time Sheets. Computations are made, charges deducted, and a Payroll Check or Time Order issued each man for the net amount due. Some firms do not itemize the credits on the

WISCONSIN LAND & LUMBER CO.
HERMANSVILLE, MICHIGAN

TIME SHEET PAY ROLL NO.

For Last Half Month of Name

PLANT	OCCUPATION	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total Hours	Rate	Amount

Kirkland Lumber Company — P - A - Y

NAMES	DATES WORKED 16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total Time	Rate	Amounts

R - O - L - L — Ending _____ 192_

Total Debits	Net Credit	CHARGES Lumber	Wood	Hotel	Groceries	Checks	Miscellaneous

FIG. 95. PAYROLL

CLASSIFICATION OF LABOR -- WOODS DIVISION

Camp Number ____ Month Ending _____ 192__

Account	Labor		Insurance		Total		✓
24. LOG ACCOUNT (List number and title of subaccounts here)							
29. CEDAR LOG ACCOUNT (List number and title of subaccounts here)							
34. CEDAR POST ACCOUNT (List number and title of subaccounts here)							
G-R-A-N-D T-O-T-A-L-S							

FIG. 96. CLASSIFICATION OF LABOR SHEET

PEAVY-WILSON LUMBER COMPANY

EXPENSE RECORD FOR THE MONTH OF _____ 192_

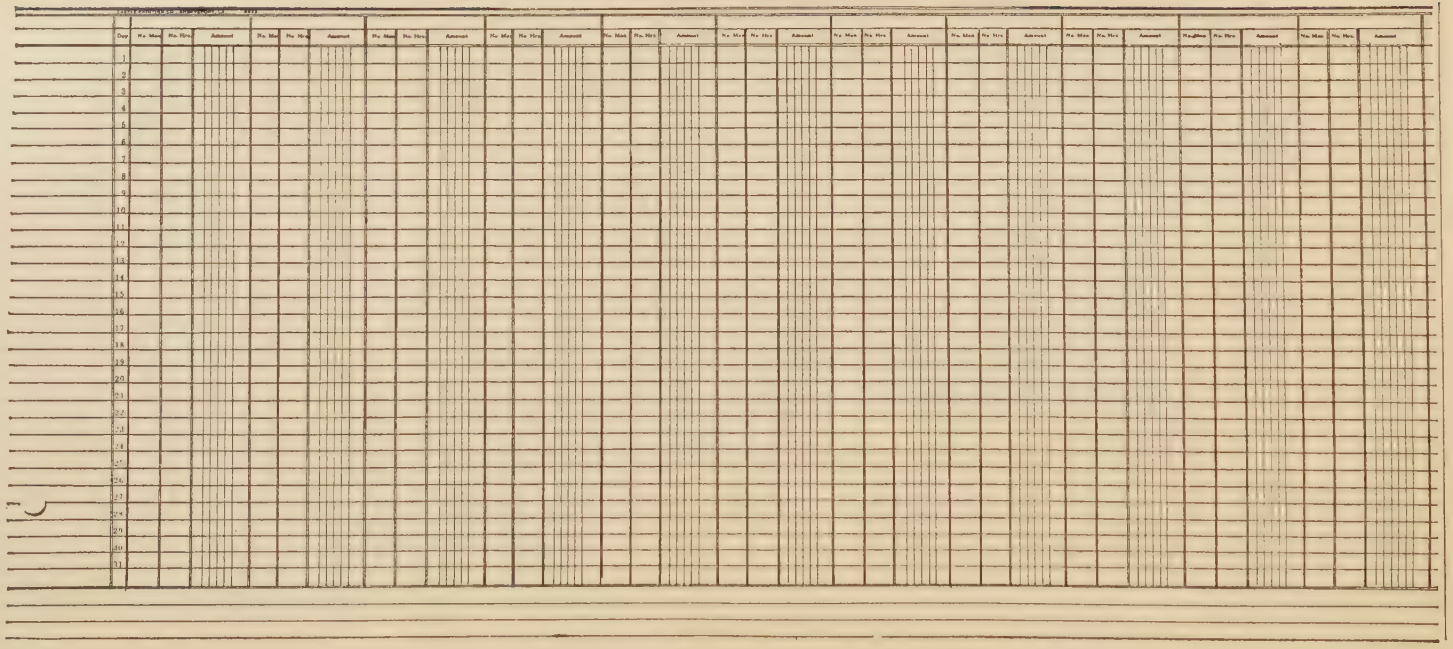
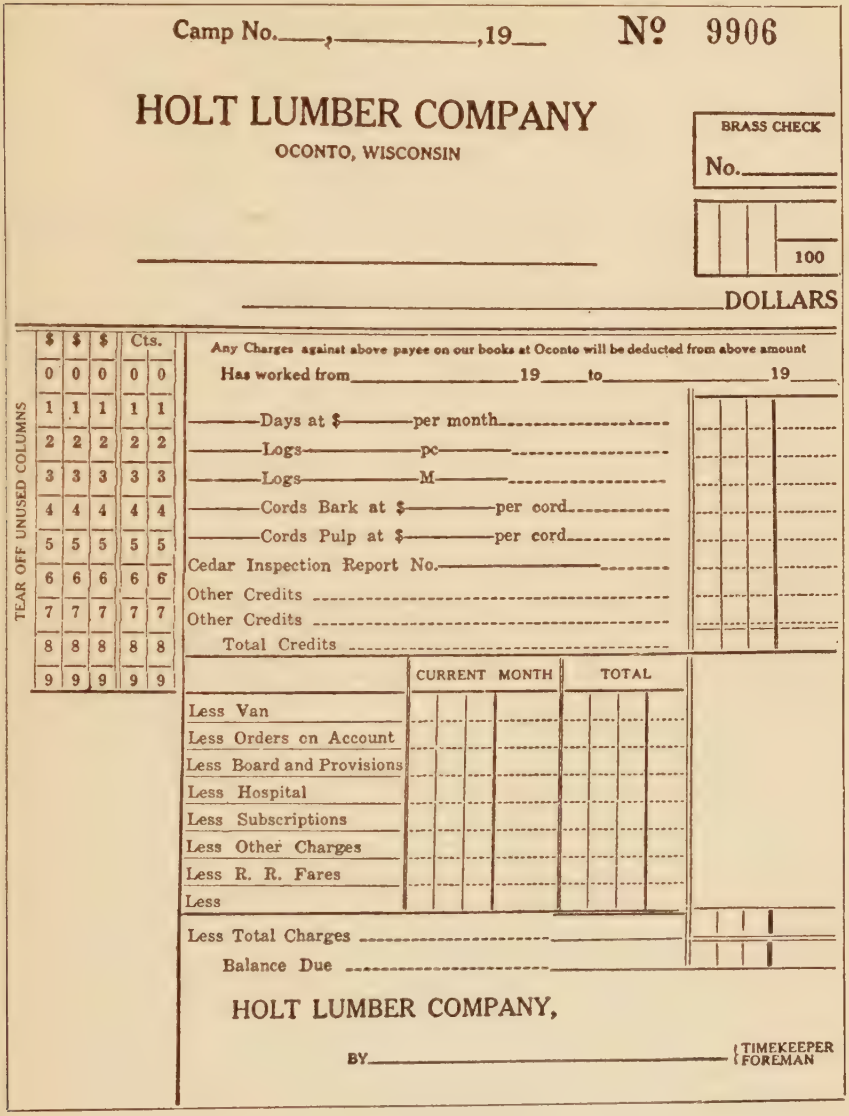


FIG. 97. CLASSIFICATION OF LABOR SHEET

Payroll Check. This form is very common and needs no illustration. It may be said that the Payroll Check should merely contain



Camp No.____, _____, 19____ No. 9906

HOLT LUMBER COMPANY
OCONTO, WISCONSIN

BRASS CHECK
No._____

100

_____ DOLLARS

TEAR OFF UNUSED COLUMNS

$	$	$	Cts.	
0	0	0	0	0
1	1	1	1	1
2	2	2	2	2
3	3	3	3	3
4	4	4	4	4
5	5	5	5	5
6	6	6	6	6
7	7	7	7	7
8	8	8	8	8
9	9	9	9	9

Any Charges against above payee on our books at Oconto will be deducted from above amount

Has worked from _____ 19____ to _____ 19____

____ Days at $____ per month

____ Logs ____ pc

____ Logs ____ M

____ Cords Bark at $____ per cord

____ Cords Pulp at $____ per cord

Cedar Inspection Report No. _____

Other Credits

Other Credits

Total Credits

	CURRENT MONTH	TOTAL
Less Van		
Less Orders on Account		
Less Board and Provisions		
Less Hospital		
Less Subscriptions		
Less Other Charges		
Less R. R. Fares		
Less		

Less Total Charges

Balance Due

HOLT LUMBER COMPANY,

BY _____ (TIMEKEEPER / FOREMAN)

FIG. 98. TIME ORDER

the employee's number, details of amount earned, and amount less deductions, if any. It should be so worded and arranged as to constitute a receipt for full settlement when endorsed.

Time Order. When logging or manufacturing operations are far distant from the general office, it is often not advisable to place a supply of negotiable checks for paying wages at the disposal of the person in charge at the operations. Time Orders have therefore been put to use by many firms, and found successful.

These Time Orders are not negotiable, although they are usually accepted as such within the territory near the company's works. The

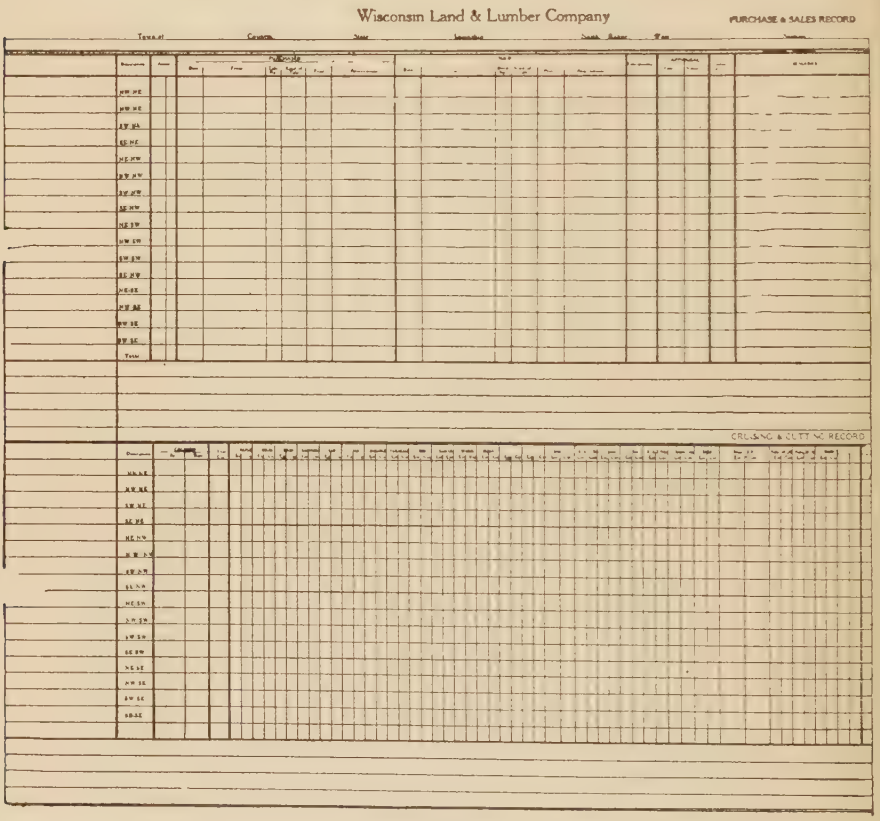


FIG. 99. LAND & TIMBER RECORD (*Front of sheet*)

orders are taken by the employee to the general office and redeemed for a negotiable check or cashed, or are cashed at some bank or business establishment which in turn secures a regular bank check from the payor.

Figure 98 presents such a form and is used exclusively by the Holt Lumber Company for paying wages in the woods. It provides for dates covering period worked, itemizes debits and credits, and is written

for balance due. Endorsement by the payee constitutes full acceptance of the within shown credits and deductions, and serves as receipt of such to the company.

Land & Timber Record Sheet. Figures 99 and 100 present an excellent record covering land and timber holdings, divided into three sections, thus: Purchase & Sales, Cruising & Cutting, Tax Record. Information is provided to cover each parcel of land and the cruising

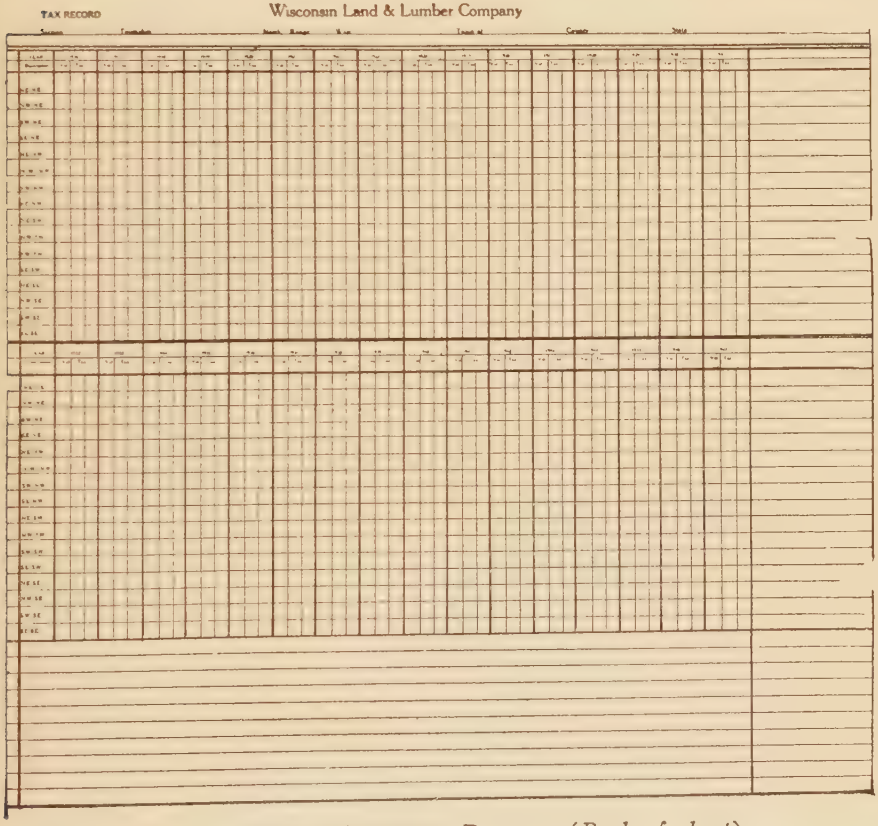
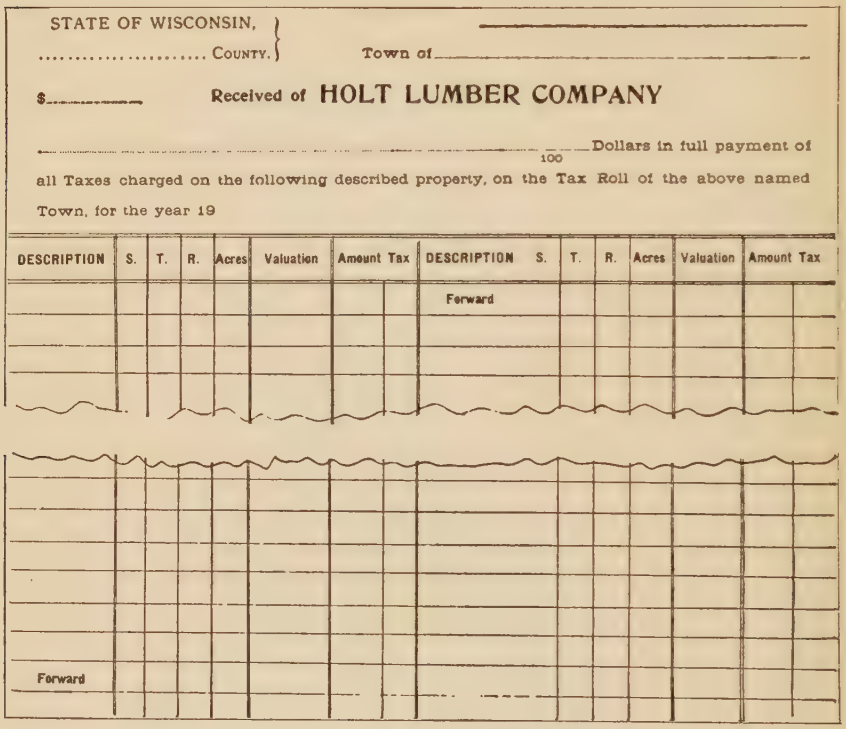


FIG. 100. LAND & TIMBER RECORD (*Back of sheet*)

data, showing estimates of standing timber, and the cuttings are provided for according to species, kind, and size. Complete detail is given for each entry. The tax record shows the valuation and amount of taxes paid for each parcel of land and timber in any one town, county, state, township, range, and section.

Tax List Sheet. A tax list sheet consists of a blank receipt form, on which the firm enters the various descriptions of property owned in

any one taxing district. The forms, after being filled out by the firm showing description of the property, are sent to the proper town treasurer, who in turn enters the assessed valuation and amount of tax opposite each item of property. The sheets are then returned to the firm; a check for the amount of taxes shown thereon is issued and sent, together with the Tax List Sheet, to the treasurer. Upon receipt of



STATE OF WISCONSIN,
..... COUNTY.
Town of _____
$_____ Received of HOLT LUMBER COMPANY
_____ 100 Dollars in full payment of
all Taxes charged on the following described property, on the Tax Roll of the above named
Town, for the year 19

DESCRIPTION	S.	T.	R.	Acres	Valuation	Amount Tax		DESCRIPTION	S.	T.	R.	Acres	Valuation	Amount Tax	
								Forward							
Forward															

FIG. 101. TAX LIST SHEET

the check, the treasurer receipts the Tax List Sheet, attaches original official tax receipts, and forwards them to the firm.

A form for this purpose is shown in Figure 101; this has proven of great service to the Holt Lumber Company, this sheet having been used exclusively for many years by this firm. If desired, the sheet may be prepared in duplicate or triplicate and a copy left with the town treasurer for his files.

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